

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

CITY OF ST. CLAIR

St. Clair County, Michigan

FINANCIAL STATEMENTS

September 30, 2006

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Assets	18
Statement of Revenues, Expenses and Changes in Net Assets	20
Statement of Cash Flows	22
Fiduciary Funds:	
Statement of Net Assets	24
Statement of Changes in Net Assets	25
Notes to Financial Statements	27
Required Supplemental Information	
Schedule of Pension Plan Funding Progress	48
Budgetary Comparison Schedule – General Fund	49
Budgetary Comparison Schedule – Special Revenue Fund – Major Street Fund	50
Other Supplemental Information	
General Fund:	
Detailed Schedule of Revenues	52
Detailed Schedule of Expenditures	53
Nonmajor Governmental Funds:	
Combining Balance Sheet	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	61
Proprietary Funds – Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	63
Combining Statement of Revenues, Expenses and Changes in Net Assets	64
Combining Statement of Cash Flows	65
Proprietary Funds – Internal Service Funds:	
Combining Statement of Net Assets	66
Combining Statement of Revenues, Expenses and Changes in Net Assets	67
Combining Statement of Cash Flows	68
Component Units:	
Combining Balance Sheet	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	70
Fiduciary Fund – Agency Fund:	
Statement of Changes in Assets and Liabilities	71

TABLE OF CONTENTS, CONTINUED

Business-type Activities:

Schedule of Indebtedness.....	72
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Governmental Activities:

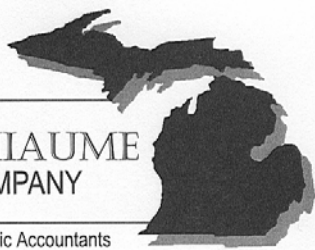
Schedule of Indebtedness.....	77
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Component Units:

Schedule of Indebtedness.....	81
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BERTHIAUME
& COMPANY

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of St. Clair, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Clair's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedule of pension plan funding progress, and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Clair's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

March 16, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of St. Clair's annual financial report represents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2006. It should be reviewed in conjunction with the City's financial statements, which follow this section.

Government-wide Financial Statements:

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

Governmental Activities – Most of the City's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

Business-type Activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's golf course, sewer and water systems, harbor, and rubbish and garbage collections are included here.

Component Units – The City includes the Local Development Finance Authority and Downtown Development Authority in its report.

Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary Funds – Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

Fiduciary Funds – The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial Highlights:

- Assets of the City exceeded its liabilities at the end of the fiscal year by \$24,206,580 (net assets), an increase of \$542,916 from the previous year. Of the \$24.2 million reported in net assets, \$4,590,481 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- Net assets of our governmental activities increased \$541,506, or 6 percent, while net assets of our business-type activities increased \$1,410.
- Beginning net assets of our governmental activities were restated with an increase of \$427,403, due to a change in fund type of the pension fund from a fiduciary fund to a governmental fund.
- The General Fund reported a net decrease in fund balance of \$44,180 for the year. This resulted in a year end fund balance of \$1,356,400. Of this amount, \$1,064,631 is unreserved and undesignated, or 34 percent of General Fund expenditures.
- Paving improvements made during fiscal 2006 included approximately 1.8 miles of road.
- The City received \$83,959 in donations, offsetting a like amount of purchases of materials and other assets retained by the City.
- Interest earned on General Fund investments increased \$44,085. This increase was a result of an overall increase to financial market rates.
- Capital outlay, made out of the General Fund, was \$152,387. General government was \$34,280, public safety was \$46,782 and recreation was \$71,325.

The City as a Whole:

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$24.2 million (net assets). However, a major portion (71 percent) of the City's net assets represents its investment in capital assets (e.g., land, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these assets to provide services to its citizens; thus, these assets are not available for spending.

Unrestricted net assets of the City were \$4.5 million at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

CITY OF ST. CLAIR

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Furthermore, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table depicts a condensed statement of net assets at September 30, 2006 and 2005:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Assets:						
Current assets	\$ 8,655,866	\$ 10,617,367	\$ 3,377,987	\$ 3,941,082	\$ 12,033,853	\$ 14,558,449
Capital assets	<u>10,869,110</u>	<u>8,602,637</u>	<u>17,460,175</u>	<u>17,914,980</u>	<u>28,329,285</u>	<u>26,517,617</u>
Total assets	<u>19,524,976</u>	<u>19,220,004</u>	<u>20,838,162</u>	<u>21,856,062</u>	<u>40,363,138</u>	<u>41,076,066</u>
Liabilities:						
Other liabilities	4,090,017	4,010,607	311,538	590,383	4,401,555	4,600,990
Long-term liabilities	<u>4,899,714</u>	<u>5,215,658</u>	<u>6,855,289</u>	<u>7,595,754</u>	<u>11,755,003</u>	<u>12,811,412</u>
Total liabilities	<u>8,989,731</u>	<u>9,226,265</u>	<u>7,166,827</u>	<u>8,186,137</u>	<u>16,156,558</u>	<u>17,412,402</u>
Net assets:						
Invested in capital assets, net of related debt	6,363,241	7,281,626	10,898,437	10,584,465	17,261,678	17,866,091
Restricted	2,151,772	425,756	202,649	629,927	2,354,421	1,055,683
Unrestricted	<u>2,020,232</u>	<u>2,286,357</u>	<u>2,570,249</u>	<u>2,455,533</u>	<u>4,590,481</u>	<u>4,741,890</u>
Total net assets	<u>\$ 10,535,245</u>	<u>\$ 9,993,739</u>	<u>\$ 13,671,335</u>	<u>\$ 13,669,925</u>	<u>\$ 24,206,580</u>	<u>\$ 23,663,664</u>

CITY OF ST. CLAIR

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The following table shows the changes in net assets for 2006 and 2005:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Revenues:						
Program revenues						
Charges for services	\$ 496,478	\$ 485,265	\$ 2,841,795	\$ 2,860,585	\$ 3,338,273	\$ 3,345,850
Operating grants	547,662	887,040	3,346	448	551,008	887,488
Capital grants	176,134	213,148	-	-	176,134	213,148
General revenues						
Property taxes	3,188,752	3,081,281	375,365	364,512	3,564,117	3,445,793
Franchise taxes	131,654	138,449	-	-	131,654	138,449
State revenue sharing	520,592	528,093	-	-	520,592	528,093
Investment earnings	322,017	154,413	88,024	59,018	410,041	213,431
Miscellaneous	83,480	64,303	-	2,926	83,480	67,229
Total revenues	<u>5,466,769</u>	<u>5,551,992</u>	<u>3,308,530</u>	<u>3,287,489</u>	<u>8,775,299</u>	<u>8,839,481</u>
Expenses:						
General government	1,397,393	1,528,040	-	-	1,397,393	1,528,040
Public safety	1,600,304	1,619,511	-	-	1,600,304	1,619,511
Public works	975,783	968,210	-	-	975,783	968,210
Health and welfare	31,377	40,701	-	-	31,377	40,701
Community and economic development	33,049	14,393	-	-	33,049	14,393
Recreation and culture	743,195	707,814	-	-	743,195	707,814
Interest on long-term debt	136,389	86,593	-	-	136,389	86,593
Municipal golf course	-	-	339,198	319,077	339,198	319,077
Sewer	-	-	1,353,593	1,260,194	1,353,593	1,260,194
Water	-	-	895,832	915,637	895,832	915,637
Harbor	-	-	479,760	465,182	479,760	465,182
Rubbish and garbage	-	-	209,177	212,783	209,177	212,783
Total expenses	<u>4,917,490</u>	<u>4,965,262</u>	<u>3,277,560</u>	<u>3,172,873</u>	<u>8,195,050</u>	<u>8,138,135</u>
Excess of revenues over expenses before other	<u>549,279</u>	<u>586,730</u>	<u>30,970</u>	<u>114,616</u>	<u>580,249</u>	<u>701,346</u>
Other items:						
Contributions to principal	1,125	1,275	-	-	1,125	1,275
Gain on capital assets	5,000	7,643	-	1,714	5,000	9,357
Transfers	(13,898)	15,400	(29,560)	(29,561)	(43,458)	(14,161)
Total other items	<u>(7,773)</u>	<u>24,318</u>	<u>(29,560)</u>	<u>(27,847)</u>	<u>(37,333)</u>	<u>(3,529)</u>
Change in net assets	<u>541,506</u>	<u>611,048</u>	<u>1,410</u>	<u>86,769</u>	<u>542,916</u>	<u>697,817</u>
Net assets, beginning of year, restated	<u>9,993,739</u>	<u>9,382,691</u>	<u>13,669,925</u>	<u>13,583,156</u>	<u>23,663,664</u>	<u>22,965,847</u>
Net assets, end of year	<u>\$10,535,245</u>	<u>\$ 9,993,739</u>	<u>\$13,671,335</u>	<u>\$13,669,925</u>	<u>\$24,206,580</u>	<u>\$23,663,664</u>

CITY OF ST. CLAIR

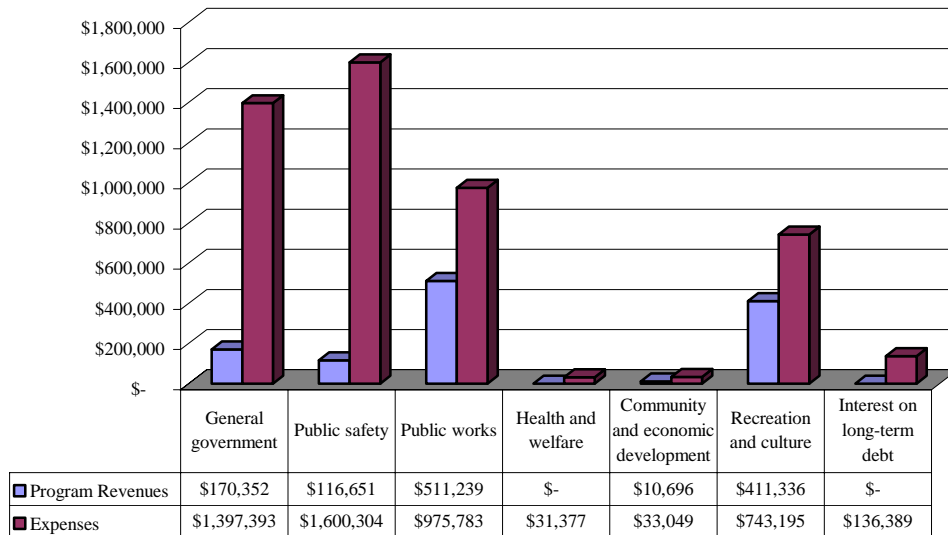
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Governmental Activities:

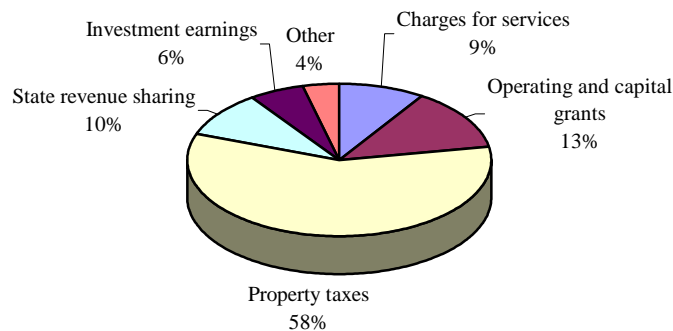
For the fiscal year ended September 30, 2006, revenues for the City's governmental activities totaled \$5.4 million. Property taxes accounted for 58 percent of the total revenues, or \$3.2 million. State-shared revenues were 10 percent of total revenues, or \$520,592. This is a decline of 1.4 percent from prior year's revenues of \$528,093. These revenues continue to be a concern as to future funding levels. The graph of revenue sources shows that most governmental activities are funded by taxes, grants and State-shared revenues. User fees, investment earnings and other revenues make up the remaining balance of 19 percent.

During the year, the City continued to meet the actuarial required contributions for the defined benefit pension system managed by MERS. At the current time, no funding is set aside to provide for retiree health care benefits; the City operates on a pay-as-you-go basis.

**Governmental Activities
Program Revenues and Expenses**



**Governmental Activities
Revenues by Source**

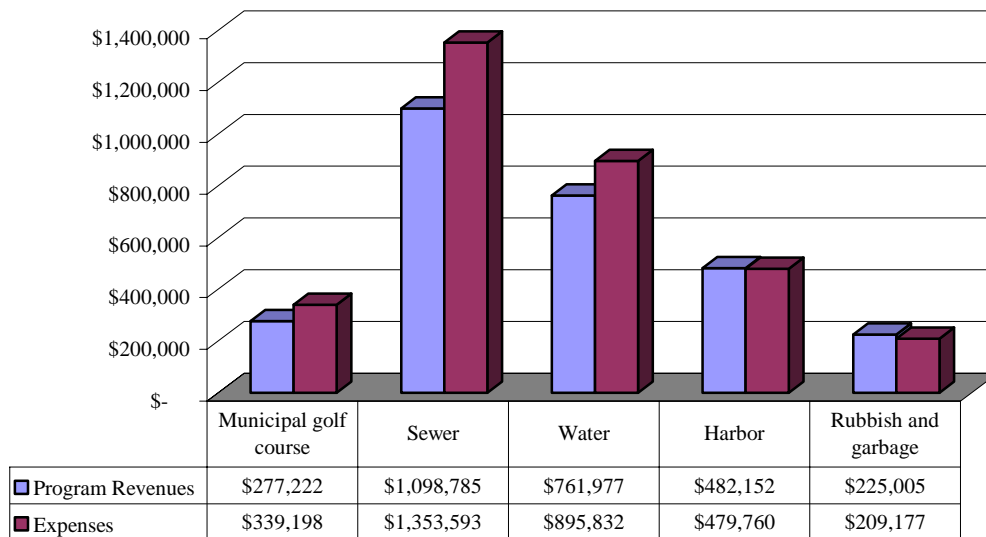


MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

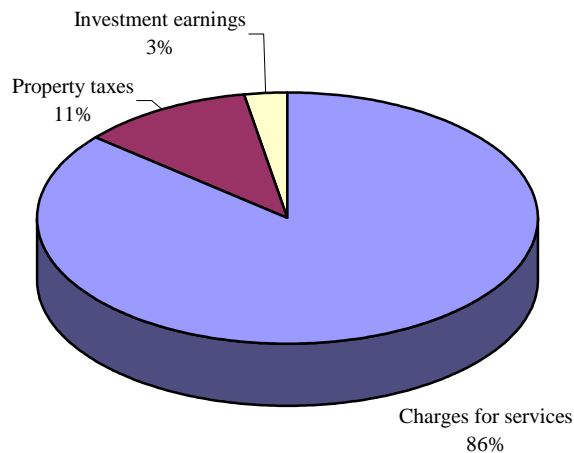
Business-type Activities:

For the fiscal year ended September 30, 2006, revenues for business-type activities were \$3.3 million. Charges for services were 86 percent of gross revenues, or \$2.8 million. Investment earnings were 3 percent of gross revenues, or \$88,024. Property taxes were 11 percent of gross revenues, or \$375,365. Property tax revenues are used to service debt incurred for the sewer and water systems.

**Business-type Activities
Program Revenues and Expenses**



**Business-type Activities
Revenues by Source**



MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The City has five business type-activities: sewer system, water system, boat harbor, golf course, and rubbish/garbage collection. In total, these five activities generated \$2,841,795 in charges for services, and incurred \$3,277,560 in expenses. Additionally, the general revenues (property taxes and investment earnings) for business-type activities were \$463,389. There was \$29,560 in transfers out. The City's business-type activities experienced an increase in net assets of approximately \$1,410 for the year.

Operating profits on income before operating transfers for each major fund was as follows:

- Sewer Fund \$50,781 or 4.6% - Operating revenues increased 4.4% while operating expenses increased 12.2%. The major cost drivers were personnel of \$36,544, contracted services of \$31,376, equipment rental of \$30,054 and dues/licenses/permits of \$16,171.
- Water Fund \$7,346 or .96% - Operating revenues increased \$66,717 or 8.8% while operating expenses decreased \$11,523. Cost increases for personnel, fringe benefits, and contracted services were offset by a reduction of \$39,402 in repairs and maintenance expenses.
- Harbor Fund \$27,032 or 5.6% - Operating revenues were down .1% while operating expenses were up .2%. The fund's performance was consistent with the prior year.

Overall, the combined City's business-type activities produced enough revenue to cover expenses.

Capital Assets and Debt Administration:

At the end of the fiscal year 2006, the City has \$39,284,213 invested, before depreciation, in a wide range of capital assets, including land, buildings and improvements, equipment, furniture and fixtures, site improvements, vehicles, and sewer and water systems. In addition, for the first time, the City is reporting infrastructure assets if any were acquired since October 1, 2003. Infrastructure assets include roads, bridges, sidewalks, storm drains, and other immovable assets.

Debt of \$4,505,870 related to the construction and acquisition of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets.

Debt related to the business-type activities' capital assets totaling \$6,561,738 is recorded as a liability in the business-type activities in the statement of net assets.

The City's Funds:

The fund financial statements begin on page 13 and provide detailed information on the most significant governmental funds – not the City as a whole.

The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2006 include the General Fund and Major Street Fund. The City's governmental funds reported a combined fund balance of \$3,607,649 for this year. This is a decrease of \$2,114,397 from the prior year. In fiscal 2005, the City received bond proceeds of \$3,436,165 in the Major Street Fund for street improvements. The City began the street improvements in fiscal 2006 and incurred \$1,988,769 in capital expenditures.

The General Fund pays for most of the City's governmental services. Police and fire were the most significant services provided during the current year, with expenditures of \$1,205,269, and increase of 9 percent from the prior year. Personnel and fringe benefits were accountable for 8 percent of this increase.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Other expenditures supported by the General Fund include general government and insurance/employee benefits. Expenditures associated with general government were \$945,699 and insurance/employee benefits were \$400,756.

General Fund Budgetary Highlights:

Differences between the original and final amended budgets for revenues and expenditures were relatively minor. Budgeted revenues were not amended during the year. Actual results were \$27,590 higher than anticipated. Amendments to General Fund expenditures totaled \$164,300. These amendments included \$115,000 of transfers out and \$55,200 of personnel increases.

Economic Factors:

The major sources of revenue for the City are property taxes, State-shared revenues, and charges for services. These sources have certain limitations and are outside control of the City.

Taxable value of property in the City has remained flat, resulting in small increases in property tax revenue. Further, the State of Michigan has experienced budget deficits and as a result has reduced revenue-sharing payments to local governments as a way to reduce their deficits. Revenue sharing, during the current fiscal year, decreased \$7,501. Currently, the State government is discussing further reductions that could lead to another reduction of 10% or more. Restrictions on increases to service fees are also a result of the poor over-all economy.

Retiree health care will also have a profound effect on the City's finances in the near future. Slightly more than half of the City's employees eligible for retirement will qualify in the next 10 years. The City currently provides retirees health care coverage until the employee reaches the age necessary to qualify for Medicare (65). In the City's pay-as-you-go retiree health care plan, there are no assets set aside. Thus, funding will have to come out of current revenues. This 'Baby Boom' reality necessitates the creation of a plan to mitigate the requirements of providing health care for retirees.

The Industrial Park remains vacant. The City is obligated, by the Michigan Economic Development Corporation who gave us the grant, to develop the park alongside our own funding to create jobs in the park thus mitigating the requirement of repayment of the original grant (see Notes to the financial statements Note 12: Contingencies). The state of the economy is making it difficult to find companies to occupy the land. Alternative enticements have been explored in hopes of landing the first tenant. In 2007, the City Council approved the replatting of the Industrial Park that will allow for more development opportunities. This action along with other programs may help spur development in the upcoming year.

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have become accustomed.

Contacting the City's Financial Management:

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Superintendent, 547 N. Carney Drive, St. Clair, Michigan, 48079.

BASIC FINANCIAL STATEMENTS

CITY OF ST. CLAIR

STATEMENT OF NET ASSETS

September 30, 2006

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and investments	\$ 5,709,110	\$ 2,088,275	\$ 7,797,385	\$ 198,863
Receivables	2,919,196	651,666	3,570,862	63,701
Internal balances	(281,160)	281,160	-	-
Inventory	-	29,470	29,470	-
Prepaid expenses	291,769	-	291,769	-
Restricted cash and cash equivalents	-	202,649	202,649	-
Capital assets:				
Nondepreciable capital assets	3,222,749	588,106	3,810,855	-
Depreciable capital assets, net	7,646,361	16,872,069	24,518,430	-
Other	16,951	124,767	141,718	-
Total assets	19,524,976	20,838,162	40,363,138	262,564
Liabilities:				
Accounts payable and accrued expenses	499,131	135,921	635,052	1,997
Deferred revenue	3,590,886	175,617	3,766,503	63,701
Long-term liabilities:				
Due within one year	178,670	295,250	473,920	36,081
Due in more than one year	4,721,044	6,560,039	11,281,083	169,600
Total liabilities	8,989,731	7,166,827	16,156,558	271,379
Net assets:				
Invested in capital assets, net of related debt	6,363,241	10,898,437	17,261,678	(205,681)
Restricted for:				
Debt service	73,118	202,649	275,767	-
Streets	1,809,178	-	1,809,178	-
Nonexpendable cemetery principal	223,813	-	223,813	-
Expendable library trust	45,663	-	45,663	-
Unrestricted	2,020,232	2,570,249	4,590,481	196,866
Total net assets	\$ 10,535,245	\$ 13,671,335	\$ 24,206,580	\$ (8,815)

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities:					
General government	\$1,397,393	\$ 158,902	\$ 11,450	\$ -	\$(1,227,041)
Public safety	1,600,304	90,519	26,132	-	(1,483,653)
Public works	975,783	87,476	423,763	-	(464,544)
Health and welfare	31,377	-	-	-	(31,377)
Community and economic development	33,049	10,696	-	-	(22,353)
Recreation and culture	743,195	148,885	86,317	176,134	(331,859)
Interest on long-term debt	136,389	-	-	-	(136,389)
Total governmental activities	4,917,490	496,478	547,662	176,134	(3,697,216)
Business-type activities:					
Municipal golf course	339,198	277,222	-	-	(61,976)
Sewer	1,353,593	1,095,975	2,810	-	(254,808)
Water	895,832	761,441	536	-	(133,855)
Harbor	479,760	482,152	-	-	2,392
Rubbish and garbage	209,177	225,005	-	-	15,828
Total business-type activities	3,277,560	2,841,795	3,346	-	(432,419)
Total primary government	\$8,195,050	\$ 3,338,273	\$ 551,008	\$ 176,134	\$(4,129,635)
COMPONENT UNITS:					
Downtown development authority	\$ 94,235	\$ -	\$ 25,400	\$ -	\$ (68,835)
Local development finance authority	4,911	-	-	-	(4,911)
Total component units	\$ 99,146	\$ -	\$ 25,400	\$ -	\$ (73,746)

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Units</i>
		<i>Activities</i>		
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (3,697,216)	\$ (432,419)	\$ (4,129,635)	\$ (73,746)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	2,859,646	-	2,859,646	-
Property taxes, levied for debt service	99,187	375,365	474,552	-
Property taxes, levied for pension	229,919	-	229,919	-
Property taxes, captured by DDA	-	-	-	75,997
Franchise taxes	131,654	-	131,654	-
Grants and contributions not restricted to specific programs	520,592	-	520,592	-
Unrestricted investment earnings	322,017	88,024	410,041	8,130
Miscellaneous	83,480	-	83,480	5,381
Contributions to principal of permanent funds	1,125	-	1,125	-
Special item - Gain on sale of capital asset	5,000	-	5,000	-
Transfers	(13,898)	(29,560)	(43,458)	43,458
Total general revenues, contributions, special items and transfers	4,238,722	433,829	4,672,551	132,966
Change in net assets	541,506	1,410	542,916	59,220
Net assets, beginning of year, restated	9,993,739	13,669,925	23,663,664	(68,035)
Net assets, end of year	\$ 10,535,245	\$ 13,671,335	\$ 24,206,580	\$ (8,815)

CITY OF ST. CLAIR

GOVERNMENTAL FUNDS

BALANCE SHEET

September 30, 2006

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:				
Cash and investments	\$ 1,528,394	\$ 1,761,092	\$ 1,465,872	\$ 4,755,358
Taxes receivable	1,849,020	131,027	566,226	2,546,273
Accounts receivable	598	-	11,291	11,889
Special assessments receivable	-	-	12,216	12,216
Notes receivable	-	-	1,500	1,500
Accrued interest receivable	42,065	-	2,454	44,519
Due from other governmental units	208,881	42,731	38,649	290,261
Due from other funds	41,897	-	-	41,897
Prepaid expenditures	291,769	-	-	291,769
Advance receivable from other funds	181,478	-	-	181,478
Total assets	<u>\$ 4,144,102</u>	<u>\$ 1,934,850</u>	<u>\$ 2,098,208</u>	<u>\$ 8,177,160</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 21,294	\$ 118,735	\$ 82,289	\$ 222,318
Accrued expenses	43,920	1,939	28,429	74,288
Due to other funds	-	-	41,897	41,897
Deposits payable	10,180	-	55,088	65,268
Advance payable to other funds	-	-	462,638	462,638
Deferred revenue	2,712,308	182,840	807,954	3,703,102
Total liabilities	<u>2,787,702</u>	<u>303,514</u>	<u>1,478,295</u>	<u>4,569,511</u>
Fund balances:				
Reserved for:				
Prepaid expenditures	291,769	-	-	291,769
Advance receivable	181,478	-	-	181,478
Debt service	-	-	73,118	73,118
County recreation projects	-	-	140,626	140,626
Nonexpendable cemetery principal	-	-	223,813	223,813
Expendable library trust	-	-	45,663	45,663
Unreserved:				
General fund	883,153	-	-	883,153
Special revenue funds	-	1,631,336	398,399	2,029,735
Capital projects	-	-	(261,706)	(261,706)
Total fund balances	<u>1,356,400</u>	<u>1,631,336</u>	<u>619,913</u>	<u>3,607,649</u>
Total liabilities and fund balances	<u>\$ 4,144,102</u>	<u>\$ 1,934,850</u>	<u>\$ 2,098,208</u>	<u>\$ 8,177,160</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

September 30, 2006

Total fund balances for governmental funds \$ 3,607,649

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	14,515,958	
Less accumulated depreciation	<u>(4,076,300)</u>	10,439,658

Bond issuance costs are recorded as expenditures in the governmental funds but
are deferred in the statement of net assets and amortized over the life of the bond.

16,951

Interest payable in the governmental activities are not payable from current
resources and therefore are not reported in the governmental funds.

(136,281)

Deferred revenues reported in the governmental funds are recognized as
revenues for the governmental activities.

Grants	100,000	
Special assessments	<u>12,217</u>	112,217

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Bonds payable	(4,505,870)	
Compensated absences payable	<u>(379,668)</u>	(4,885,538)

The assets and liabilities of internal service funds are included in governmental
activities in the statement of net assets.

1,380,589

Net assets of governmental activities \$ 10,535,245

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2006

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Property taxes	\$ 2,558,865	\$ 34,626	\$ 602,617	\$ 3,196,108
Licenses and permits	89,680	-	139,067	228,747
State grants	525,882	260,506	163,929	950,317
Contributions from other units	-	-	22,935	22,935
Charges for services	139,757	-	149,632	289,389
Fines and forfeits	10,531	-	-	10,531
Interest and rents	128,780	126,952	66,497	322,229
Other revenue	160,600	-	99,942	260,542
Total revenues	<u>3,614,095</u>	<u>422,084</u>	<u>1,244,619</u>	<u>5,280,798</u>
Expenditures:				
Current				
General government	945,699	-	165,931	1,111,630
Public safety	1,205,269	-	185,149	1,390,418
Public works	210,790	213,844	442,334	866,968
Health and welfare	25,396	-	-	25,396
Community and economic development	17,241	-	15,808	33,049
Recreation and culture	254,667	-	383,458	638,125
Other	400,756	-	-	400,756
Capital outlay	152,387	1,988,769	461,736	2,602,892
Debt service				
Principal	-	25,454	244,687	270,141
Interest and fees	-	3,648	47,020	50,668
Total expenditures	<u>3,212,205</u>	<u>2,231,715</u>	<u>1,946,123</u>	<u>7,390,043</u>
Excess (deficiency) of revenues over expenditures	<u>401,890</u>	<u>(1,809,631)</u>	<u>(701,504)</u>	<u>(2,109,245)</u>
Other financing sources (uses):				
Insurance recoveries	8,746	-	-	8,746
Transfers in from other funds	-	-	451,940	451,940
Transfers out to other funds	(415,918)	-	(11,022)	(426,940)
Transfers out to component units	(38,898)	-	-	(38,898)
Total other financing sources (uses)	<u>(446,070)</u>	<u>-</u>	<u>440,918</u>	<u>(5,152)</u>
Net change in fund balances	(44,180)	(1,809,631)	(260,586)	(2,114,397)
Fund balances, beginning of year, restated	<u>1,400,580</u>	<u>3,440,967</u>	<u>880,499</u>	<u>5,722,046</u>
Fund balances, end of year	<u>\$ 1,356,400</u>	<u>\$ 1,631,336</u>	<u>\$ 619,913</u>	<u>\$ 3,607,649</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Net change in fund balances - total governmental funds \$(2,114,397)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,599,910	
Less depreciation expense	<u>(365,714)</u>	2,234,196

Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue.

Grants	100,000	
Special assessments	<u>(14,301)</u>	85,699

Bond issuance costs are recorded as expenditures in the governmental funds but are deferred in the statement of net assets and amortized over the life of the bond. (1,884)

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets. 270,141

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	45,857	
Change in accrued interest on bonds and loans payable	(83,836)	
Retroactive payment for ratification of police officers contract	<u>16,259</u>	(21,720)

The net revenue (expense) of the internal service fund is reported with governmental activities. 89,471

Change in net assets of governmental activities \$ 541,506

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

September 30, 2006

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Assets:						
Current assets:						
Cash and investments	\$ 254,769	\$ 1,312,413	\$ 419,301	\$ 101,792	\$ 2,088,275	\$ 953,752
Taxes receivable	125,500	-	-	-	125,500	-
Accounts receivable	272,393	176,530	-	40,898	489,821	183
Special assessments receivable	30,395	5,950	-	-	36,345	12,355
Inventory	-	-	29,470	-	29,470	-
Total current assets	<u>683,057</u>	<u>1,494,893</u>	<u>448,771</u>	<u>142,690</u>	<u>2,769,411</u>	<u>966,290</u>
Noncurrent assets:						
Restricted cash and investments	142,383	1,399	-	58,867	202,649	-
Capital assets:						
Nondepreciable capital assets	122,258	16,483	176,653	272,712	588,106	-
Depreciable capital assets, net	13,350,382	2,505,717	411,909	604,061	16,872,069	429,452
Advance receivable from other funds	199,600	81,560	-	-	281,160	-
Deferred charges	<u>96,543</u>	<u>1,752</u>	<u>-</u>	<u>26,472</u>	<u>124,767</u>	<u>-</u>
Total noncurrent assets	<u>13,911,166</u>	<u>2,606,911</u>	<u>588,562</u>	<u>962,112</u>	<u>18,068,751</u>	<u>429,452</u>
Total assets	<u>14,594,223</u>	<u>4,101,804</u>	<u>1,037,333</u>	<u>1,104,802</u>	<u>20,838,162</u>	<u>1,395,742</u>
Liabilities:						
Current liabilities:						
Accounts payable	11,656	9,656	8,520	255	30,087	42
Accrued expenses	7,331	8,640	23,158	34,318	73,447	935
Deposits payable	3,000	-	2,200	-	5,200	-
Accrued interest payable	17,915	5,938	-	3,334	27,187	-
Deferred revenue	175,128	-	-	489	175,617	-
Current portion of long-term debt	<u>187,313</u>	<u>47,688</u>	<u>-</u>	<u>60,249</u>	<u>295,250</u>	<u>-</u>
Total current liabilities	<u>402,343</u>	<u>71,922</u>	<u>33,878</u>	<u>98,645</u>	<u>606,788</u>	<u>977</u>
Noncurrent liabilities:						
Compensated absences payable	96,629	187,804	-	9,118	293,551	14,176
Long-term debt	<u>5,797,408</u>	<u>185,880</u>	<u>-</u>	<u>283,200</u>	<u>6,266,488</u>	<u>-</u>
Total noncurrent liabilities	<u>5,894,037</u>	<u>373,684</u>	<u>-</u>	<u>292,318</u>	<u>6,560,039</u>	<u>14,176</u>
Total liabilities	<u>6,296,380</u>	<u>445,606</u>	<u>33,878</u>	<u>390,963</u>	<u>7,166,827</u>	<u>15,153</u>

continued

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS, CONTINUED

September 30, 2006

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Net assets:						
Invested in capital assets, net of related debt	7,487,919	2,288,632	588,562	533,324	10,898,437	429,452
Restricted for:						
Debt service	142,383	1,399	-	58,867	202,649	-
Unrestricted	<u>667,541</u>	<u>1,366,167</u>	<u>414,893</u>	<u>121,648</u>	<u>2,570,249</u>	<u>951,137</u>
Total net assets	<u>\$ 8,297,843</u>	<u>\$ 3,656,198</u>	<u>\$ 1,003,455</u>	<u>\$ 713,839</u>	<u>\$ 13,671,335</u>	<u>\$ 1,380,589</u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

Year Ended September 30, 2006

	Business-type Activities					Governmental Activities
	Sewer Fund	Water Fund	Harbor Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues:						
Charges for services	\$ 1,079,492	\$ 745,752	\$ 469,476	\$ 476,704	\$ 2,771,424	\$ -
Penalties	13,126	13,251	-	4,242	30,619	-
Equipment rental	-	-	-	-	-	249,173
Other	3,357	2,438	12,676	10,056	28,527	-
Total operating revenues	1,095,975	761,441	482,152	491,002	2,830,570	249,173
Operating expenses:						
Personnel	278,573	387,691	93,611	123,750	883,625	49,124
Fringe benefits	97,044	94,103	25,372	49,813	266,332	22,371
Supplies	37,676	42,672	234,122	27,826	342,296	334
Contracted services	103,521	41,436	25,329	219,925	390,211	489
Administrative expense	24,000	22,800	18,900	9,000	74,700	-
Telephone	4,071	1,268	1,442	2,858	9,639	-
Mileage	597	-	-	-	597	-
Dues, licenses and permits	18,658	782	285	148	19,873	-
Education and training	31	2,514	784	618	3,947	-
Printing and publishing	-	-	6,165	3,623	9,788	318
Insurance	18,998	7,775	1,988	1,184	29,945	-
Utilities	100,445	53,759	17,935	13,355	185,494	12,984
Repairs and maintenance	37,866	37,455	11,555	13,757	100,633	31,615
Equipment rental	40,925	46,552	-	11,046	98,523	-
Other services and supplies	-	7,318	1,811	8,734	17,863	-
Depreciation	389,945	122,142	26,965	62,738	601,790	78,908
Total operating expenses	1,152,350	868,267	466,264	548,375	3,035,256	196,143
Operating income (loss)	(56,375)	(106,826)	15,888	(57,373)	(204,686)	53,030
Non-operating revenues (expenses):						
Property taxes	281,581	93,784	-	-	375,365	-
Interest income	24,008	47,417	11,144	5,455	88,024	31,441
Special assessments interest	2,810	536	-	-	3,346	-
Rental income	-	-	-	11,225	11,225	-
Gain on sale of capital assets	-	-	-	-	-	5,000
Amoritization expense	(30,945)	(12,156)	-	(5,294)	(48,395)	-
Interest expense	(170,298)	(15,409)	-	(8,202)	(193,909)	-
Total non-operating revenues (expenses)	107,156	114,172	11,144	3,184	235,656	36,441

continued

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS, CONTINUED**

Year Ended September 30, 2006

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Net income (loss) before operating transfers	<u>50,781</u>	<u>7,346</u>	<u>27,032</u>	<u>(54,189)</u>	<u>30,970</u>	<u>89,471</u>
Operating transfers:						
Transfer to other funds	(12,500)	(12,500)	-	-	(25,000)	-
Transfer to component units	<u>-</u>	<u>-</u>	<u>(4,560)</u>	<u>-</u>	<u>(4,560)</u>	<u>-</u>
Total operating transfers	<u>(12,500)</u>	<u>(12,500)</u>	<u>(4,560)</u>	<u>-</u>	<u>(29,560)</u>	<u>-</u>
Net income (loss)	38,281	(5,154)	22,472	(54,189)	1,410	89,471
Net assets, beginning of year	<u>8,259,562</u>	<u>3,661,352</u>	<u>980,983</u>	<u>768,028</u>	<u>13,669,925</u>	<u>1,291,118</u>
Net assets, end of year	<u>\$ 8,297,843</u>	<u>\$ 3,656,198</u>	<u>\$ 1,003,455</u>	<u>\$ 713,839</u>	<u>\$ 13,671,335</u>	<u>\$ 1,380,589</u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Cash flows from operating activities:						
Cash received from customers	\$ 998,678	\$ 709,768	\$ 482,152	\$ 484,513	\$ 2,675,111	\$ 8,958
Cash received from interfund services	-	-	-	-	-	249,173
Cash payments to employees	(268,973)	(370,380)	(93,611)	(122,349)	(855,313)	(49,071)
Cash payments to suppliers for goods and services	(500,696)	(409,406)	(358,992)	(368,984)	(1,638,078)	(70,666)
Net cash provided (used) by operating activities	<u>229,009</u>	<u>(70,018)</u>	<u>29,549</u>	<u>(6,820)</u>	<u>181,720</u>	<u>138,394</u>
Cash flows from non-capital financing activities:						
Operating transfers out	<u>(12,500)</u>	<u>(12,500)</u>	<u>(4,560)</u>	<u>-</u>	<u>(29,560)</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>(12,500)</u>	<u>(12,500)</u>	<u>(4,560)</u>	<u>-</u>	<u>(29,560)</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Property taxes received	281,581	93,784	-	-	375,365	-
Gain on sale of capital assets	-	-	-	-	-	5,000
Acquisition and construction of capital assets	(2,147)	(107,256)	(37,582)	-	(146,985)	(111,185)
Principal payments	(569,631)	(138,898)	-	(60,248)	(768,777)	-
Interest paid	<u>(170,298)</u>	<u>(15,409)</u>	<u>-</u>	<u>(8,202)</u>	<u>(193,909)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(460,495)</u>	<u>(167,779)</u>	<u>(37,582)</u>	<u>(68,450)</u>	<u>(734,306)</u>	<u>(106,185)</u>
Cash flows from investing activities:						
Interest received	24,008	47,417	11,144	5,455	88,024	31,441
Special assessments interest	2,810	536	-	-	3,346	-
Rent received	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,225</u>	<u>11,225</u>	<u>-</u>
Net cash provided by investing activities	<u>26,818</u>	<u>47,953</u>	<u>11,144</u>	<u>16,680</u>	<u>102,595</u>	<u>31,441</u>
Net increase (decrease) in cash and cash equivalents	(217,168)	(202,344)	(1,449)	(58,590)	(479,551)	63,650

continued

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended September 30, 2006

	<i>Business-type Activities</i>					<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Harbor Fund</i>	<i>Nonmajor Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Cash and cash equivalents, beginning of year	<u>614,320</u>	<u>1,516,156</u>	<u>420,750</u>	<u>219,249</u>	<u>2,770,475</u>	<u>890,102</u>
Cash and cash equivalents end of year	<u>\$ 397,152</u>	<u>\$ 1,313,812</u>	<u>\$ 419,301</u>	<u>\$ 160,659</u>	<u>\$ 2,290,924</u>	<u>\$ 953,752</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (56,375)	\$ (106,826)	\$ 15,888	\$ (57,373)	\$ (204,686)	\$ 53,030
Adjustments:						
Depreciation	389,945	122,142	26,965	62,738	601,790	78,908
Change in assets and liabilities:						
Taxes receivable	55,722	60,381	-	-	116,103	-
Accounts receivable	(44,924)	(27,132)	-	(6,092)	(78,148)	1,118
Special assessments receivable	(1,642)	8,862	-	-	7,220	7,840
Inventory	-	-	(10,026)	-	(10,026)	-
Accounts payable	(1,188)	(47,635)	(12,579)	(6,724)	(68,126)	(2,608)
Accrued expenses	(254)	1,246	9,301	128	10,421	53
Accrued interest payable	(15,422)	(4,583)	-	(501)	(20,506)	-
Deferred revenue	(106,453)	(93,784)	-	(397)	(200,634)	-
Compensated absences payable	<u>9,600</u>	<u>17,311</u>	<u>-</u>	<u>1,401</u>	<u>28,312</u>	<u>53</u>
Net cash provided (used) by operating activities	<u>\$ 229,009</u>	<u>\$ (70,018)</u>	<u>\$ 29,549</u>	<u>\$ (6,820)</u>	<u>\$ 181,720</u>	<u>\$ 138,394</u>

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

September 30, 2006

	<i>Pension Trust Fund</i>	<i>Agency Fund</i>	<i>Total Fiduciary Funds</i>
Assets:			
Cash and cash equivalents	\$ -	\$ 3,369,177	\$ 3,369,177
Accounts receivable	-	893	893
Total assets	-	3,370,070	3,370,070
Liabilities:			
Accounts payable	-	33,037	33,037
Undistributed tax collections	-	3,337,033	3,337,033
Total liabilities	-	3,370,070	3,370,070
Net Assets:			
Unrestricted	-	-	-
Total net assets	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF ST. CLAIR

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET ASSETS

Year Ended September 30, 2006

	<i>Pension Trust Fund</i>
	<hr/>
Additions	\$ -
Deductions	<hr/> -
Net increase (decrease)	-
Net assets, beginning of year, restated	<hr/> -
Net assets, end of year	<hr/> \$ - <hr/>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Clair, Michigan, a Municipal Corporation, was organized as a Village in 1850 under provisions of the Constitution and general law of the State of Michigan, and became a Home Rule City in 1980 under a local act. Located approximately 48 miles from Detroit and 12 miles from Port Huron, the City of St. Clair covers an area of approximately five square miles and is one of seven cities in St. Clair County, Michigan, each of which is a separate governmental entity. The City operates under an elected City Council, which consists of a Mayor and six Council members, with daily activities operated by the City Superintendent, Clerk, and Treasurer. The City provides services to more than 5,000 residents in many areas, including law enforcement, fire protection, water, sewer, streets, parks, and recreation.

The accounting policies of the City of St. Clair conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. These funds and account groups are those which meet the criteria established by the National Council on Governmental Accounting (NCGA) in Statement No. 3, *Defining the Governmental Reporting Entity*. Statement No. 3 is considered to be a generally accepted accounting principle by the Governmental Accounting Standards Board (GASB).

The criteria established by the NCGA and adopted by the GASB for determining which of the City's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the City. The criteria include, but are not limited to, whether the City exercises oversight responsibility, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financial relationships.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Blended Component Units – Blended component units are component units so intertwined with the primary government that they are, in substance, the same as the primary government and are presented as part of the primary government. The blended component units are:

Building Authority - The Building Authority is governed by a Board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

Discretely Presented Component Units - These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

Local Development Finance Authority - The Local Development Finance Authority (LDFA) was created for the improvement of future industrial property and for non-motorized pathways, traffic control, and safety improvements. The LDFA's governing body, which consists of 12 members, is selected by the City Council. In addition, the budgets and expenditures of the LDFA must be approved by the City Council.

Downtown Development Authority - The Downtown Development Authority (DDA), created during 2003, is a separate legal entity. The budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA.

Economic Development Corporation - The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the City so as to provide needed services and facilities of such enterprises to residents. The EDC's governing body is selected by the City Council. The EDC was inactive during the year and has no assets and liabilities.

Joint Ventures – The St. Clair Area Fire Authority is a joint venture with the Townships of China, East China, and St. Clair. The Authority was established effective October 1, 2002 in accordance with *Michigan Public Act No. 33 of 1951* for the purpose of forming a joint fire authority for uniform and orderly control of fire protection, fire department functions (including purchases, leases, and insurance coverage), and financing within the territorial limits of the City of St. Clair and the surrounding townships. Complete financial statements for the Authority can be obtained from the City Finance Director. The City's fire department assets are being leased to the Fire Authority for \$1 per year.

Basis of Presentation – Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

Major Street Fund – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

The City reports the following major enterprise funds:

Sewer Fund – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Water Fund – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Harbor Fund – The Harbor Fund is used to account for the revenues and expenses for the operation of this fund.

Assets, Liabilities and Equity:

Cash and Investments – Cash and investments include cash on hand, demand deposits, time deposits, highly liquid investments with original maturity of three months or less, U.S. governmental securities, interlocal agreements, bank investments pools, and mutual funds. Investments are reported at fair value, based on quoted market prices. For purposes of the statement of cash flows, cash includes all cash and investments.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property Taxes – Properties are assessed as of December 31, and the related property taxes become a lien on that date. These taxes are billed on the following August 1, are due on September 30, with the final collection date of February 28 before they are added to the county tax rolls.

The 2005 taxable valuation of the City totaled \$229,918,565, on which ad valorem taxes levied consisted of 12.3871 mills for the City's operating purposes, 1.000 mill for pension, and 2.0640 mills for debt.

Property taxes billed during the month of August will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at September 30.

Inventories and Prepaid Expenses – Inventories are valued at the lower of cost (on a first-in, first-out basis) or market. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after October 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10-50 years
Distribution systems	15-50 years
Equipment	4-20 years
Furniture and fixtures	5-15 years
Infrastructure	50 years
Site improvements	5-20 years
Vehicles	3-10 years

Compensated Absences – It is the City's policy to permit employees to accumulate earned but unused sick and vacation days. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Accountant and Superintendent submit to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted by adoption of the City Council.
4. Any revision that alters the total expenditures of any fund must be approved by the City.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i>Final Budget</i>	<i>Actual</i>	<i>Excess</i>
General Fund:			
Public safety	\$ 1,168,112	\$ 1,205,269	\$ 37,157
Health and welfare	23,245	25,396	2,151
Recreation and culture	241,413	254,667	13,254
Capital outlay	127,100	152,387	25,287
Transfers to other funds	411,315	415,918	4,603
Special Revenue Funds:			
Major Street Fund	311,228	2,231,715	1,920,487

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,559,082 of bank deposits (certificates of deposit, checking, and savings accounts) in its governmental and proprietary fund types, of which \$300,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City also had bank deposits of \$2,338,037 in its fiduciary fund, of which \$100,000 was covered by federal depository insurance. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

<u>Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. government and agency securities	\$ 3,372,233	Counterparty

Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 200,642	6 years
Federal Home Loan Bank	1,901,663	9 years
Fannie Mae	135,591	8 years
Federal Farm Credit Bank	446,560	6 years
Federal National Mortgage Association	687,777	10 years

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. government and agency securities	\$ 2,974,069	AAA	Moody
U.S. government and agency securities	398,164		Not rated

Concentration of Credit Risk:

The City places no limit on the amount the City may invest in any one issuer. At year end, the City had more than 5% of its investments in the following:

<u>Investments</u>	<u>Fair Value</u>	<u>Concentration</u>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 200,642	6%
Federal Home Loan Bank	1,901,663	56%
Fannie Mae	135,591	5%
Federal Farm Credit Bank	446,560	13%
Federal National Mortgage Association	687,777	20%

NOTE 4: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities was as follows:

	<u>October 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>September 30, 2006</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 2,533,940	\$ 244,061	\$ -	\$ 2,778,001
Construction in progress	444,748	-	-	444,748
Subtotal nondepreciable capital assets	2,978,688	244,061	-	3,222,749
Depreciable capital assets				
Buildings and improvements	4,691,583	-	-	4,691,583
Equipment	2,018,361	94,981	-	2,113,342
Furniture and fixtures	336,047	6,983	-	343,030
Infrastructure	2,294	2,117,134	-	2,119,428
Site improvements	1,634,762	95,441	-	1,730,203
Vehicles	1,522,881	152,493	(65,411)	1,609,963
Subtotal depreciable capital assets	10,205,928	2,467,032	(65,411)	12,607,549
Accumulated depreciation	(4,581,979)	(444,620)	65,411	(4,961,188)
Depreciable capital assets, net	5,623,949	2,022,412	-	7,646,361
Governmental activities, capital assets, net	\$ 8,602,637	\$2,266,473	\$ -	\$10,869,110

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

	<i>October 1, 2005</i>	<i>Additions</i>	<i>Disposals</i>	<i>September 30, 2006</i>
Business-type activities:				
Nondepreciable capital assets				
Land	\$ 588,106	\$ -	\$ -	\$ 588,106
Depreciable capital assets				
Buildings and improvements	8,448,733	-	-	8,448,733
Equipment	767,025	8,946	-	775,971
Sewer system	12,639,701	-	-	12,639,701
Site improvements	1,607,939	37,581	-	1,645,520
Vehicles	35,040	-	-	35,040
Water system	3,433,808	100,458	-	3,534,266
Subtotal depreciable capital assets	26,932,246	146,985	-	27,079,231
Accumulated depreciation	(9,605,372)	(601,790)	-	(10,207,162)
Depreciable capital assets, net	17,326,874	(454,805)	-	16,872,069
Business-type activities, capital assets, net	<u>\$ 17,914,980</u>	<u>\$ (454,805)</u>	<u>\$ -</u>	<u>\$ 17,460,175</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 87,064
Public safety	92,529
Public works	156,256
Health and welfare	5,981
Recreation and culture	102,790
Total governmental activities	<u>\$ 444,620</u>
Business-type activities:	
Municipal golf course	\$ 62,738
Sewer	389,945
Water	122,142
Harbor	26,965
Total business-type activities	<u>\$ 601,790</u>

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Primary Government:		
Property taxes collected in advance	\$ -	\$ 3,753,811
Special assessments	12,217	-
Grants	100,000	-
Other	-	12,692
	<u>\$ 112,217</u>	<u>\$ 3,766,503</u>
Component Units:		
Property taxes collected in advance	<u>\$ -</u>	<u>\$ 63,701</u>

NOTE 6: LONG-TERM DEBT

The City may issue bonds for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	<u>Principal Maturity Ranges</u>	<u>October 1, 2005</u>	<u>Additions (Reductions)</u>	<u>September 30, 2006</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds - 1992 Michigan Transportation Fund (LTGO) for \$355,000 at 6% interest; Maturing through May 1, 2007	\$30,000-35,000	\$ 65,000	\$ (30,000)	\$ 35,000	\$ 35,000
General obligation bonds - 1994 G/O Unlimited Tax Refunding Bonds for \$597,318 (26.43% of \$2,260,000 issue) at 5.00 to 5.50% interest; Maturing through November 1, 2005	96,470	96,470	(96,470)	-	-
General obligation bonds - 1997 G/O Limited Tax Bonds for \$100,000 at 4.80 to 5.10% interest; Maturing through November 1, 2007	10,000	30,000	(10,000)	20,000	10,000

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

	<i>Principal Maturity Ranges</i>	<i>October 1, 2005</i>	<i>Additions (Reductions)</i>	<i>September 30, 2006</i>	<i>Due Within One Year</i>
Governmental Activities, Continued:					
General obligation bonds - 1999 Building Authority Bonds for \$995,000 at 4.60 to 4.625% interest; Maturing through November 1, 2014	55,000-85,000	705,000	(55,000)	650,000	60,000
General obligation bonds - 2004 Building Authority Refunding Bonds for \$415,000 (35.78% of \$1,160,000 issue) at 2.00 to 3.00% interest; Maturing through November 1, 2011	33,943-64,404	359,541	(53,670)	305,871	53,670
General obligation bonds - 2005 G/O Unlimited Tax Bonds for \$3,455,000 at 3.0 to 3.6% interest; Maturing through November 1, 2016	225,000-480,000	3,455,000	-	3,455,000	-
Special assessment bonds - 1997 Special Assessment Bonds for \$220,000 at 4.75 to 5.00% interest; Maturing through November 1, 2007	20,000-25,000	65,000	(25,000)	40,000	20,000
Compensated absences		<u>439,648</u>	<u>(45,805)</u>	<u>393,843</u>	<u>-</u>
Total Governmental Activities		<u>\$ 5,215,659</u>	<u>\$ (315,945)</u>	<u>\$ 4,899,714</u>	<u>\$ 178,670</u>
	<i>Principal Maturity Ranges</i>	<i>October 1, 2005</i>	<i>Additions (Reductions)</i>	<i>September 30, 2006</i>	<i>Due Within One Year</i>
Business-type Activities:					
General obligation bonds - 1994 G/O Unlimited Tax Refunding Bonds for \$1,662,682 (73.57% of \$2,260,000 issue) at 5.00 to 5.50% interest; Maturing through November 1, 2005	\$268,531	\$ 268,531	\$ (268,531)	\$ -	\$ -
General obligation bonds - 2002 State Revolving Fund Bonds for \$4,948,287 at 2.5% interest; Maturing through October 1, 2023	203,287-310,000	4,548,287	(210,000)	4,338,287	-
General obligation bonds - 2002 Capital Improvement Bonds for \$410,000 at 3.0 to 4.7% interest; Maturing through October 1, 2022	15,000-30,000	395,000	(15,000)	380,000	-
General obligation bonds - 2004 General Obligation Refunding Bonds for \$830,000 at 2.0 to 3.4% interest; Maturing through November 1, 2013	75,000-100,000	775,000	(80,000)	695,000	80,000

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

	<i>Principal Maturity Ranges</i>	<i>October 1, 2005</i>	<i>Additions (Reductions)</i>	<i>September 30, 2006</i>	<i>Due Within One Year</i>
Business-type Activities, Continued:					
General obligation bonds - 2004 Building Authority Refunding Bonds for \$465,954 (40.16% of \$1,160,000 issue) at 2.00 to 3.00% interest; Maturing through November 1, 2011	38,241-72,288	403,697	(60,246)	343,451	60,250
Revenue bonds - 1989 Refunding Water Bonds for \$560,000 at 7.40 to 7.50% interest; Maturing through November 1, 2009	40,000-55,000	230,000	(40,000)	190,000	40,000
Revenue bonds - 1998 Sewer System Refunding Bonds for \$995,000 at 4.25 to 4.75% interest; Maturing through May 1, 2011	80,000-115,000	610,000	(80,000)	530,000	100,000
Special assessment bonds - 2001 Special Assessment Limited Tax Bonds for \$150,000 at 4.75% to 5.0% interest; Maturing through April 1, 2011	15,000-20,000	100,000	(15,000)	85,000	15,000
Compensated absences		<u>265,238</u>	<u>28,313</u>	<u>293,551</u>	<u>-</u>
		<u>\$ 7,595,753</u>	<u>\$ (740,464)</u>	<u>\$ 6,855,289</u>	<u>\$ 295,250</u>

	<i>Principal Maturity Ranges</i>	<i>October 1, 2005</i>	<i>Additions (Reductions)</i>	<i>September 30, 2006</i>	<i>Due Within One Year</i>
Component Units:					
General obligation bonds - 2004 Building Authority Refunding Bonds for \$279,046 (24.06% of \$1,160,000 issue) at 2.00 to 3.00% interest; Maturing through November 1, 2011	\$22,860-43,298	<u>\$ 241,762</u>	<u>\$ (36,081)</u>	<u>\$ 205,681</u>	<u>\$ 36,081</u>

Annual debt service requirements to maturity for the above bond obligations are as follows:

<i>Year Ended September 30,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 178,670	\$ 256,059	\$ 434,729	\$ 295,250	\$ 127,711	\$ 422,961
2008	370,459	145,223	515,682	527,257	179,021	706,278
2009	377,615	133,254	510,869	545,290	161,355	706,645
2010	409,404	120,812	530,216	602,298	142,340	744,638
2011	405,780	107,277	513,057	520,166	123,558	643,724
2012-2016	2,283,943	295,267	2,579,210	1,663,188	438,234	2,101,422
2017-2021	480,000	8,640	488,640	1,535,000	234,889	1,769,889
2022-2024	-	-	-	873,289	38,180	911,469
	<u>\$ 4,505,871</u>	<u>\$ 1,066,532</u>	<u>\$ 5,572,403</u>	<u>\$ 6,561,738</u>	<u>\$ 1,445,288</u>	<u>\$ 8,007,026</u>

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

<i>Year Ended September 30,</i>	<i>Component Units</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 36,081	\$ 4,430	\$ 40,511
2008	37,293	3,697	40,990
2009	42,095	2,877	44,972
2010	43,298	1,888	45,186
2011	24,054	1,016	25,070
2012	22,860	343	23,203
	<u>\$ 205,681</u>	<u>\$ 14,251</u>	<u>\$ 219,932</u>

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Units</i>
<i>Receivables:</i>			
Property taxes	\$ 2,546,273	\$ 125,500	\$ 63,701
Accounts	12,072	489,821	-
Special assessments	24,571	36,345	-
Notes	1,500	-	-
Accrued interest	44,519	-	-
Intergovernmental	290,261	-	-
Total receivables	<u>\$ 2,919,196</u>	<u>\$ 651,666</u>	<u>\$ 63,701</u>
<i>Accounts payable and accrued expenses:</i>			
Accounts	\$ 222,359	\$ 30,087	\$ -
Payroll and related liabilities	75,223	73,447	-
Deposits payable	65,268	5,200	-
Accrued interest	136,281	27,187	1,997
Total accounts payable and accrued expenses	<u>\$ 499,131</u>	<u>\$ 135,921</u>	<u>\$ 1,997</u>

NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at September 30, 2006 is as follows reported in the fund financial statements:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Trunkline Maintenance Fund	\$ 35,297
General Fund	Cemetery Perpetual Care Fund	6,600
		<u>\$ 41,897</u>

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of advance receivable and payable balances at September 30, 2006 is as follows reported in the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	St. Clair Regional Industrial Park Fund	\$ 181,478
Sewer Fund	St. Clair Regional Industrial Park Fund	199,600
Water Fund	St. Clair Regional Industrial Park Fund	<u>81,560</u>
		<u>\$ 462,638</u>

Management does not anticipate repayment until industrial lots are sold.

The composition of interfund transfers at September 30, 2006 is as follows reported in the fund financial statements:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	
	Recreation Fund	\$ 255,000
	Building Department Fund	10,000
	Cable Programming Fund	28,000
	1999 Building Authority Fund	86,584
	2004 Building Authority Fund	36,334
	Component Units	
	Local Development Finance Authority	<u>38,898</u> \$ 454,816
Local Street Fund	Nonmajor Governmental Funds	
	1997 Road Construction Bond Fund	11,022
Sewer Fund	Nonmajor Governmental Funds	
	2004 Building Authority Fund	12,500
Water Fund	Nonmajor Governmental Funds	
	2004 Building Authority Fund	12,500
Harbor Fund	Component Units	
	Local Development Finance Authority	<u>4,560</u>
	Total	<u>\$ 495,398</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

The composition of interfund transfers at September 30, 2006 is as follows reported in the government-wide financial statements:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Units</i>
Business-type Activities paid transfers to Governmental Activities	\$ 25,000	\$ (25,000)	\$ -
Business-type Activities paid transfers to Component Units	-	(4,560)	4,560
Governmental Activities paid transfers to Component Units	<u>(38,898)</u>	<u>-</u>	<u>38,898</u>
	<u>\$ (13,898)</u>	<u>\$ (29,560)</u>	<u>\$ 43,458</u>

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Municipal Risk Management Authority (the "Authority") risk pool program for claims related to property loss, torts, errors and omissions, and personal injuries, and participates in the Michigan Municipal League risk pool program for claims relating to workers' compensation.

The Authority operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiations with the City Council and personnel policy, which does not require employees to contribute to the plan. The City of St. Clair is required to contribute at actuarially determined rates; the current rates ranged from 14.47-26.12 percent of eligible payroll based on the December 31, 2003 valuation. Benefits vest after 10 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC.

Annual Pension Costs – For year ended September 30, 2006, the City's annual pension cost of \$410,013 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of September 30, follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual pension cost	\$ 410,013	\$ 400,158	\$ 377,440
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are for the exclusive benefit of the employee or their beneficiary.

It is the opinion of the City that the City has no liability for losses under the plan, but does have a duty of care that would be required of an ordinary prudent investor. Therefore, the deferred compensation assets and liability have been removed from the City's fiduciary fund as is no longer required to be shown in the financial statements for future years.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

Post Employment Benefits

The City provides health care and life insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, four retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with a 20 percent contribution required by the participant. These benefits cease when the participant becomes eligible for Medicare insurance. Expenditures for post employment health care benefits are recognized as insurance premiums become due; during the year, this amounted to \$19,434. The City uses a pay-as-you-go method to pay this.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning October 1, 2009.

NOTE 10: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for advance receivable – This reserve was created to indicate that portion of fund balance representing the long-term advance receivable from the St. Clair Regional Industrial Park.

Reserved for debt service – This reserve was created to indicate that portion of fund balance available for the retirement of debt.

Reserved for county recreation projects – This reserve was created to indicate that portion of fund balance available for county approved outdoor recreation development and projects.

Reserved for nonexpendable cemetery principal – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

Reserved for expendable library trust – This reserve was created to indicate that portion of fund balance representing the library trust.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

NOTE 11: COMPONENT UNITS REPORTING

Condensed Statement of Net Assets
September 30, 2006

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Total Component Units</i>
Assets:			
Cash and investments	\$ 152,324	\$ 46,539	\$ 198,863
Receivables	-	63,701	63,701
Total assets	<u>152,324</u>	<u>110,240</u>	<u>262,564</u>
Liabilities:			
Accounts payable and accrued expenses	1,997	-	1,997
Deferred revenue	-	63,701	63,701
Long-term liabilities:			
Due within one year	36,081	-	36,081
Due in more than one year	<u>169,600</u>	<u>-</u>	<u>169,600</u>
Total liabilities	<u>207,678</u>	<u>63,701</u>	<u>271,379</u>
Net assets:			
Invested in capital assets, net of related debt	(205,681)	-	(205,681)
Unrestricted	<u>150,327</u>	<u>46,539</u>	<u>196,866</u>
Total net assets	<u>\$ (55,354)</u>	<u>\$ 46,539</u>	<u>\$ (8,815)</u>

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

Condensed Statement of Activities

Year Ended September 30, 2006

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Total Component Units</i>
Revenues:			
Program revenues			
Operating grants/contributions	\$ -	\$ 25,400	\$ 25,400
General revenues			
Property taxes	-	75,997	75,997
Investment earnings	5,342	2,788	8,130
Miscellaneous	<u>5,381</u>	<u>-</u>	<u>5,381</u>
Total revenues	<u>10,723</u>	<u>104,185</u>	<u>114,908</u>
Expenses:			
Community and economic development	-	94,235	94,235
Interest on long-term debt	<u>4,911</u>	<u>-</u>	<u>4,911</u>
Total expenses	<u>4,911</u>	<u>94,235</u>	<u>99,146</u>
Excess of revenues over expenses before transfers	<u>5,812</u>	<u>9,950</u>	<u>15,762</u>
Transfers:			
Transfer from primary government	<u>43,458</u>	<u>-</u>	<u>43,458</u>
Change in net assets	49,270	9,950	59,220
Net assets (deficit), beginning of year	<u>(104,624)</u>	<u>36,589</u>	<u>(68,035)</u>
Net assets (deficit), end of year	<u><u>\$ (55,354)</u></u>	<u><u>\$ 46,539</u></u>	<u><u>\$ (8,815)</u></u>

NOTE 12: CONTINGENCIES

Community Development Block Grant

The City received a Community Development Block Grant (loan) for \$1,000,350 over a number of years, and the full amount of the grant was received as of September 30, 2004. The grant was recorded in the St. Clair Regional Industrial Park Fund as it was received. The principal and interest must be paid back beginning November 1, 2007. The City will receive a \$10,000 credit for each new job created as a result of this project (a portion of these funds must be used for low and moderate income people). This has not been recorded as a liability of the City at this time.

CITY OF ST. CLAIR

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2006

NOTE 13: DEFICIT FUND BALANCE

The St. Clair Regional Industrial Park Capital Projects Fund has a deficit fund balance of \$261,706. The deficit results from expenditures incurred for the industrial park project. It is expected that revenue from the sale of lots will provide a positive fund balance in the future.

The Cable Programming Fund has a deficit fund balance of \$891. The deficit results from checks written against future deposits and it will be eliminated in the next fiscal year.

NOTE 14: OPERATING LEASE

The City of St. Clair entered into a lease agreement to lease 20 golf carts. The annual required payments for the operating lease are as follows:

Year Ended
September 30,

2007	\$	10,536
2008		10,536
2009		<u>16,756</u>
	\$	<u>37,828</u>

NOTE 15: PRIOR PERIOD ADJUSTMENT

The City has determined that its previously reported Pension Trust Fund, based on its current activities, should be reported as a Special Revenue Fund rather than a Fiduciary Fund. The Pension Trust Fund was used to account for the collection of a special tax levy for City employee pension costs. The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan. The City does not have its own pension plan/trust.

The governmental activities beginning net assets were restated as follows:

	<i>Government- Wide</i>
	<i>Governmental Activities</i>
Net assets, September 30, 2005, as previously stated	\$ 9,566,336
Adjustment required to reclassify the Pension Trust Fund from a Fiduciary type fund to a Special Revenue type fund	<u>427,403</u>
Net assets, September 30, 2005, restated	<u>\$ 9,993,739</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2006

The fiduciary funds beginning net assets and governmental funds beginning fund balances were restated as follows:

	<i>Funds</i>	
	<u><i>Fiduciary</i></u>	<u><i>Special Revenue</i></u>
	<i>Pension</i>	<i>Reserved</i>
	<i>Trust</i>	<i>Pension Tax Levy</i>
	<u><i>Fund</i></u>	<u><i>Fund</i></u>
Net assets/Fund balance, September 30, 2005, as previously stated	\$ 427,403	\$ -
Adjustment required to reclassify the Pension Trust Fund from a Fiduciary type fund to a Special Revenue type fund	<u>(427,403)</u>	<u>427,403</u>
Net assets/Fund balance, September 30, 2005, restated	<u>\$ -</u>	<u>\$ 427,403</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ST. CLAIR

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Year Ended September 30, 2006

<i>Actuarial Valuation Date</i>	<i>12/31/05</i>	<i>12/31/04</i>	<i>12/31/03</i>
Actuarial Value of Assets	\$ 9,218,019	\$ 8,541,302	\$ 7,891,775
Actuarial Accrued Liability (AAL)	12,465,408	11,838,018	10,898,932
Unfunded AAL (UAAL)	3,247,389	3,296,716	3,007,157
Funded Ratio	74%	72%	72%
Covered Payroll	2,347,781	2,349,835	2,164,059
UAAL as a percentage of covered payroll	138%	140%	139%

CITY OF ST. CLAIR

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 2,610,873	\$ 2,610,873	\$ 2,558,865	\$ (52,008)
Licenses and permits	83,000	83,000	89,680	6,680
State grants	527,500	527,500	525,882	(1,618)
Charges for services	148,517	148,517	139,757	(8,760)
Fines and forfeits	10,325	10,325	10,531	206
Interest and rents	73,590	73,590	128,780	55,190
Other revenue	132,700	132,700	160,600	27,900
Total revenues	3,586,505	3,586,505	3,614,095	27,590
Expenditures:				
Current				
General government	1,007,665	1,038,165	945,699	(92,466)
Public safety	1,135,712	1,168,112	1,205,269	37,157
Public works	219,504	221,504	210,790	(10,714)
Health and welfare	24,745	23,245	25,396	2,151
Community and economic development	28,788	25,788	17,241	(8,547)
Recreation and culture	242,113	241,413	254,667	13,254
Other	467,177	467,177	400,756	(66,421)
Capital outlay	137,500	127,100	152,387	25,287
Total expenditures	3,263,204	3,312,504	3,212,205	(100,299)
Excess (deficiency) of revenues over expenditures	323,301	274,001	401,890	127,889
Other financing sources (uses):				
Insurance recoveries	-	-	8,746	8,746
Transfers from other funds	32,950	32,950	-	(32,950)
Transfers to other funds	(325,715)	(411,315)	(415,918)	(4,603)
Transfers to component units	(9,600)	(39,000)	(38,898)	102
Total other financing sources (uses)	(302,365)	(417,365)	(446,070)	(28,705)
Net change in fund balance	20,936	(143,364)	(44,180)	99,184
Fund balance, beginning of year	1,400,580	1,400,580	1,400,580	-
Fund balance, end of year	\$ 1,421,516	\$ 1,257,216	\$ 1,356,400	\$ 99,184

CITY OF ST. CLAIR

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
Revenues:				
Property taxes	\$ 34,628	\$ 34,628	\$ 34,626	\$ (2)
State grants	274,000	274,000	260,506	(13,494)
Interest and rents	<u>2,600</u>	<u>2,600</u>	<u>126,952</u>	<u>124,352</u>
Total revenues	<u>311,228</u>	<u>311,228</u>	<u>422,084</u>	<u>110,856</u>
Expenditures:				
Current				
Public works	282,125	282,125	213,844	(68,281)
Capital outlay	-	-	1,988,769	1,988,769
Debt service				
Principal	25,454	25,454	25,454	-
Interest and fees	<u>3,649</u>	<u>3,649</u>	<u>3,648</u>	<u>(1)</u>
Total expenditures	<u>311,228</u>	<u>311,228</u>	<u>2,231,715</u>	<u>1,920,487</u>
Net change in fund balance	-	-	(1,809,631)	(1,809,631)
Fund balance, beginning of year	<u>3,440,967</u>	<u>3,440,967</u>	<u>3,440,967</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,440,967</u>	<u>\$ 3,440,967</u>	<u>\$ 1,631,336</u>	<u>\$ (1,809,631)</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended September 30, 2006

Revenues:

Current Taxes:

Property taxes	\$ 2,490,218
Penalties and interest on taxes	10,867
Administration fees	57,780
	<u>2,558,865</u>

Licenses and permits:

Business licenses and permits	3,795
Nonbusiness licenses and permits	3,155
CATV franchise fees	82,730
	<u>89,680</u>

State Grants:

Liquor license fees	4,139
State revenue sharing - sales tax	520,592
Police	1,151
	<u>525,882</u>

Charges for services:

Cemetery fees	22,937
Police services and reports	376
Zoning/Variance/Appeals fees	145
Other	26,257
Charges to other funds	90,042
	<u>139,757</u>

Fines and forfeits:

Parking fines	10,106
Ordinance fines	425
	<u>10,531</u>

Interest and rents:

Interest	106,930
Rents	21,850
	<u>128,780</u>

Other Revenue:

Cemetery lots/perpetual care	8,975
Contributions and donations	83,959
Reimbursements	802
Other	66,864
	<u>160,600</u>

Total revenues	<u>3,614,095</u>
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Other Financing Sources:

Insurance recoveries	<u>8,746</u>
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Total other financing sources	<u>8,746</u>
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Total revenues and other financing sources	<u>\$ 3,622,841</u>
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CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended September 30, 2006

Expenditures:

General Government:

Council:

Personnel	\$ 4,400
Fringe benefits	268
Contracted services	22,451
Dues and memberships	31,542
Education and training	432
Other	326
	<u>59,419</u>

Superintendent:

Personnel	128,057
Fringe benefits	19,151
Mileage	2,303
Dues and memberships	728
Education and training	1,555
Other	5,164
	<u>156,958</u>

Accounting:

Personnel	66,009
Fringe benefits	5,139
Supplies	1,893
Mileage	183
Dues and memberships	70
Education and training	605
	<u>73,899</u>

Clerk:

Personnel	153,898
Mileage	585
Dues and memberships	282
Education and training	780
Other	8
	<u>155,553</u>

Audit:

Contracted services	<u>5,735</u>
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Board of Review:

Personnel	1,930
Fringe benefits	148
Printing and publications	344
	<u>2,422</u>

CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2006

Expenditures, continued:

General Government, continued:

General Administration:

Personnel	35,949
Fringe benefits	2,921
	<u>38,870</u>

Treasurer:

Personnel	52,277
Fringe benefits	3,997
Supplies	4,204
Mileage	553
Dues and memberships	150
Education and training	1,432
Other	5
	<u>62,618</u>

Assessor:

Personnel	40,896
Fringe benefits	3,125
Supplies	350
Contracted services	3,260
Mileage	827
Dues and memberships	356
Education and training	1,023
	<u>49,837</u>

Elections:

Personnel	1,158
Fringe benefits	88
Supplies	2,772
Contracted services	5,979
Printing and publications	1,375
	<u>11,372</u>

Building and Grounds:

Supplies	29,791
Contracted services	59,821
Telephone	27,760
Printing and publications	6,384
Utilities	27,416
Repairs and maintenance	5,402
Other	17,397
	<u>173,971</u>

Attorney:

Contracted services	<u>48,441</u>
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CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2006

Expenditures, continued:

General Government, continued:

Cemetery:

Personnel	41,185
Fringe benefits	2,614
Supplies	879
Contracted services	14,148
Utilities	1,522
Repairs and maintenance	5,207
Equipment rental	10,102
	<hr/>
	75,657

Beautification:

Personnel	8,198
Fringe benefits	1,083
Contracted services	6,314
Printing and publications	428
Repairs and maintenance	10,563
Other	884
	<hr/>
	27,470

Other:

Supplies	<hr/>
	3,477
	<hr/>
Total general government	945,699

Public Safety:

Police:

Personnel	751,808
Fringe benefits	72,544
Supplies	40,636
Contracted services	41,292
Dues and memberships	365
Education and training	7,185
Printing and publications	399
Utilities	217
Repairs and maintenance	22,432
Other	7,642
	<hr/>
	944,520

Special Police:

Supplies	7,541
Contracted services	1,274
Utilities	1,261
	<hr/>
	10,076

CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2006

Expenditures, continued:

Public Safety, continued:

Fire:

Contracted services	250,673
Total public safety	1,205,269

Public Works:

Department of Public Works:

Personnel	49,400
Fringe benefits	11,967
Supplies	31,654
Contracted services	6,908
Dues and memberships	130
Education and training	590
Utilities	1,376
Repairs and maintenance	8,469
Equipment rental	2,591
	113,085

Street Lighting:

Utilities	97,705
Total public works	210,790

Health and Welfare:

Senior Citizens:

Personnel	18,321
Fringe benefits	1,411
Contracted services	841
Repairs and maintenance	4,363
Other	460
	25,396
Total health and welfare	25,396

Community and Economic Development:

Planning:

Personnel	8,628
Fringe benefits	637
Contracted services	6,759
Mileage	38
Printing and publications	1,179
	17,241
Total community and economic development	17,241

CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2006

Expenditures, continued:

Recreation and Culture:

Parks and Recreation Department:

Personnel	109,287
Fringe benefits	8,553
Supplies	2,482
Contracted services	10,067
Utilities	5,592
Repairs and maintenance	14,750
Equipment rental	33,689
Other	9,262
	<u>193,682</u>

Library:

Personnel	873
Fringe benefits	66
Supplies	3,773
Contracted services	8,269
Utilities	11,393
Repairs and maintenance	5,393
Equipment rental	249
	<u>30,016</u>

Community Center:

Supplies	2,135
Contracted services	638
Utilities	7,570
Repairs and maintenance	7,975
Other	12,651
	<u>30,969</u>

Total recreation and culture	<u>254,667</u>
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Other:

Insurance and bonds	82,935
Fringe benefits	297,867
Workers' compensation insurance	12,598
Tax tribunals	7,356
	<u>400,756</u>

Total other	<u>400,756</u>
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CITY OF ST. CLAIR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended September 30, 2006

Expenditures, continued:

Capital Outlay:

General government	34,280
Public safety	46,782
Recreation and culture	<u>71,325</u>
	<u>152,387</u>
 Total capital outlay	 <u>152,387</u>
 Total expenditures	 <u>3,212,205</u>

Other Financing Uses:

Transfers to other funds	415,918
Transfers to component units	<u>38,898</u>
 Total other financing uses	 <u>454,816</u>
 Total expenditures and other financing uses	 <u><u>\$ 3,667,021</u></u>

CITY OF ST. CLAIR

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

September 30, 2006

	<i>Special Revenue Funds</i>				
	<i>Local Street Fund</i>	<i>Trunkline Maintenance Fund</i>	<i>Recreation Fund</i>	<i>1994 Special Assessment Fund</i>	<i>Building Department Fund</i>
Assets:					
Cash and cash equivalents	\$ 106,879	\$ 36,115	\$ 151,078	\$ 5,384	\$ 75,579
Taxes receivable	126,266	-	-	-	-
Accounts receivable	-	-	1,871	-	8,146
Special assessments receivable	-	-	-	-	-
Notes receivable	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-
Due from other governmental units	17,171	21,478	-	-	-
Total assets	<u>\$ 250,316</u>	<u>\$ 57,593</u>	<u>\$ 152,949</u>	<u>\$ 5,384</u>	<u>\$ 83,725</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 30,663	\$ 107	\$ 2,923	\$ 30	\$ 630
Accrued expenses	1,895	13,507	2,351	-	10,676
Due to other funds	-	35,297	-	-	-
Deposits payable	-	-	-	817	53,686
Advance payable to other funds	-	-	-	-	-
Deferred revenue	176,197	-	5,373	230	-
Total liabilities	<u>208,755</u>	<u>48,911</u>	<u>10,647</u>	<u>1,077</u>	<u>64,992</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
County recreation projects	-	-	140,626	-	-
Nonexpendable cemetery principal	-	-	-	-	-
Expendable library trust	-	-	-	-	-
Unreserved:					
Special revenue funds	41,561	8,682	1,676	4,307	18,733
Capital projects fund	-	-	-	-	-
Total fund balances	<u>41,561</u>	<u>8,682</u>	<u>142,302</u>	<u>4,307</u>	<u>18,733</u>
Total liabilities and fund balances	<u>\$ 250,316</u>	<u>\$ 57,593</u>	<u>\$ 152,949</u>	<u>\$ 5,384</u>	<u>\$ 83,725</u>

<i>Special Revenue Funds</i>			<i>Debt Service Funds</i>				<i>Subtotal Nonmajor Governmental Funds</i>
<i>Urban Development Action Grant Fund</i>	<i>Cable Programming Fund</i>	<i>Reserved Pension Tax Levy Fund</i>	<i>1999 Building Authority Bond Fund</i>	<i>1994 Road Construction Bond Fund</i>	<i>1997 Road Construction Bond Fund</i>	<i>2004 Building Authority Bond Fund</i>	
\$ 58,380	\$ (1,493)	\$ 376,065	\$ 1,425	\$ 13,542	\$ 57,249	\$ 378	\$ 880,581
-	-	161,403	-	-	-	-	287,669
-	750	-	-	-	524	-	11,291
-	-	-	-	-	12,216	-	12,216
1,500	-	-	-	-	-	-	1,500
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	38,649
<u>\$ 59,880</u>	<u>\$ (743)</u>	<u>\$ 537,468</u>	<u>\$ 1,425</u>	<u>\$ 13,542</u>	<u>\$ 69,989</u>	<u>\$ 378</u>	<u>\$ 1,231,906</u>
\$ -	\$ 148	\$ 47,788	\$ -	\$ -	\$ -	\$ -	\$ 82,289
-	-	-	-	-	-	-	28,429
-	-	-	-	-	-	-	35,297
-	-	-	-	-	-	-	54,503
-	-	-	-	-	-	-	-
-	-	225,229	-	-	12,216	-	419,245
-	148	273,017	-	-	12,216	-	619,763
-	-	-	1,425	13,542	57,773	378	73,118
-	-	-	-	-	-	-	140,626
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
59,880	(891)	264,451	-	-	-	-	398,399
-	-	-	-	-	-	-	-
<u>59,880</u>	<u>(891)</u>	<u>264,451</u>	<u>1,425</u>	<u>13,542</u>	<u>57,773</u>	<u>378</u>	<u>612,143</u>
<u>\$ 59,880</u>	<u>\$ (743)</u>	<u>\$ 537,468</u>	<u>\$ 1,425</u>	<u>\$ 13,542</u>	<u>\$ 69,989</u>	<u>\$ 378</u>	<u>\$ 1,231,906</u>

continued

CITY OF ST. CLAIR

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET, CONTINUED

September 30, 2006

		<i>Debt Service Fund</i>	<i>Capital Projects Fund</i>	<i>Permanent Funds</i>		
	<i>Subtotal Nonmajor Governmental Funds</i>	<i>2005 Road Construction Bond Fund</i>	<i>St. Clair Regional Industrial Park Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Library Fund</i>	<i>Total Nonmajor Governmental Funds</i>
Assets:						
Cash and cash equivalents	\$ 880,581	\$ 110,152	\$ 201,517	\$ 227,959	\$ 45,663	\$ 1,465,872
Taxes receivable	287,669	278,557	-	-	-	566,226
Accounts receivable	11,291	-	-	-	-	11,291
Special assessments receivable	12,216	-	-	-	-	12,216
Notes receivable	1,500	-	-	-	-	1,500
Accrued interest receivable	-	-	-	2,454	-	2,454
Due from other governmental units	38,649	-	-	-	-	38,649
Total assets	<u>\$ 1,231,906</u>	<u>\$ 388,709</u>	<u>\$ 201,517</u>	<u>\$ 230,413</u>	<u>\$ 45,663</u>	<u>\$ 2,098,208</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 82,289	\$ -	\$ -	\$ -	\$ -	\$ 82,289
Accrued expenses	28,429	-	-	-	-	28,429
Due to other funds	35,297	-	-	6,600	-	41,897
Deposits payable	54,503	-	585	-	-	55,088
Advance payable to other funds	-	-	462,638	-	-	462,638
Deferred revenue	419,245	388,709	-	-	-	807,954
Total liabilities	<u>619,763</u>	<u>388,709</u>	<u>463,223</u>	<u>6,600</u>	<u>-</u>	<u>1,478,295</u>
Fund balances:						
Reserved for:						
Debt service	73,118	-	-	-	-	73,118
County recreation projects	140,626	-	-	-	-	140,626
Nonexpendable cemetery principal	-	-	-	223,813	-	223,813
Expendable library trust	-	-	-	-	45,663	45,663
Unreserved:						
Special revenue funds	398,399	-	-	-	-	398,399
Capital projects fund	-	-	(261,706)	-	-	(261,706)
Total fund balances	<u>612,143</u>	<u>-</u>	<u>(261,706)</u>	<u>223,813</u>	<u>45,663</u>	<u>619,913</u>
Total liabilities and fund balances	<u>\$ 1,231,906</u>	<u>\$ 388,709</u>	<u>\$ 201,517</u>	<u>\$ 230,413</u>	<u>\$ 45,663</u>	<u>\$ 2,098,208</u>

CITY OF ST. CLAIR

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2006

	<i>Special Revenue Funds</i>				
	<i>Local Street Fund</i>	<i>Trunkline Maintenance Fund</i>	<i>Recreation Fund</i>	<i>1994 Special Assessment Fund</i>	<i>Building Department Fund</i>
Revenues:					
Property taxes	\$ 273,511	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	90,143
Federal grants	-	-	-	-	-
State grants	104,752	59,177	-	-	-
Contributions from other units	-	-	22,935	-	-
Charges for services	-	-	144,728	-	2,923
Interest and rents	5,399	19	9,853	189	2,584
Other revenue	-	-	76,357	-	556
Total revenues	<u>383,662</u>	<u>59,196</u>	<u>253,873</u>	<u>189</u>	<u>96,206</u>
Expenditures:					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	104,099
Public works	242,143	58,607	-	-	-
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	286,262	-	-
Capital outlay	181,994	-	253,884	-	1,213
Debt service					
Principal	4,547	-	-	-	-
Interest and fees	652	-	-	-	-
Total expenditures	<u>429,336</u>	<u>58,607</u>	<u>540,146</u>	<u>-</u>	<u>105,312</u>
Excess (deficiency) of revenues over expenditures	<u>(45,674)</u>	<u>589</u>	<u>(286,273)</u>	<u>189</u>	<u>(9,106)</u>
Other financing sources (uses):					
Transfers in	-	-	255,000	-	10,000
Transfers out	<u>(11,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(11,022)</u>	<u>-</u>	<u>255,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balance	(56,696)	589	(31,273)	189	894
Fund balances, beginning of year, restated	<u>98,257</u>	<u>8,093</u>	<u>173,575</u>	<u>4,118</u>	<u>17,839</u>
Fund balances, end of year	<u>\$ 41,561</u>	<u>\$ 8,682</u>	<u>\$ 142,302</u>	<u>\$ 4,307</u>	<u>\$ 18,733</u>

<i>Special Revenue Funds</i>			<i>Debt Service Funds</i>			<i>Subtotal Nonmajor Governmental Funds</i>
<i>Urban Development Action Grant Fund</i>	<i>Cable Programming Fund</i>	<i>Reserved Pension Tax Levy Fund</i>	<i>1999 Building Authority Bond Fund</i>	<i>1994 Road Construction Bond Fund</i>	<i>1997 Road Construction Bond Fund</i>	
\$ -	\$ -	\$ 229,919	\$ -	\$ 99,187	\$ -	\$ 602,617
-	48,924	-	-	-	-	139,067
-	-	-	-	-	-	-
-	-	-	-	-	-	163,929
-	-	-	-	-	-	22,935
-	1,981	-	-	-	-	149,632
1,905	349	17,142	118	2,710	1,380	41,648
-	5,400	-	-	-	13,629	95,942
<u>1,905</u>	<u>56,654</u>	<u>247,061</u>	<u>118</u>	<u>101,897</u>	<u>15,009</u>	<u>1,215,770</u>
-	-	165,931	-	-	-	165,931
-	-	81,050	-	-	-	185,149
-	-	141,584	-	-	-	442,334
-	-	-	-	-	-	-
-	74,470	21,448	-	-	-	382,180
-	24,645	-	-	-	-	461,736
-	-	-	55,000	96,470	35,000	191,017
-	-	-	31,309	2,772	4,534	39,267
-	99,115	410,013	86,309	99,242	39,534	1,867,614
<u>1,905</u>	<u>(42,461)</u>	<u>(162,952)</u>	<u>(86,191)</u>	<u>2,655</u>	<u>(24,525)</u>	<u>(651,844)</u>
-	28,000	-	86,584	-	11,022	390,606
-	-	-	-	-	-	(11,022)
-	28,000	-	86,584	-	11,022	379,584
1,905	(14,461)	(162,952)	393	2,655	(13,503)	(272,260)
<u>57,975</u>	<u>13,570</u>	<u>427,403</u>	<u>1,032</u>	<u>10,887</u>	<u>71,276</u>	<u>884,025</u>
<u>\$ 59,880</u>	<u>\$ (891)</u>	<u>\$ 264,451</u>	<u>\$ 1,425</u>	<u>\$ 13,542</u>	<u>\$ 57,773</u>	<u>\$ 611,765</u>

continued

CITY OF ST. CLAIR

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended September 30, 2006

	<i>Subtotal Nonmajor Governmental Funds</i>	<i>Debt Service Fund 2004 Building Authority Bond Fund</i>	<i>Capital Projects Fund St. Clair Regional Industrial Park Fund</i>	<i>Permanent Funds</i>		<i>Total Nonmajor Governmental Funds</i>
				<i>Cemetery Perpetual Care Fund</i>	<i>Library Fund</i>	
Revenues:						
Property taxes	\$ 602,617	\$ -	\$ -	\$ -	\$ -	\$ 602,617
Licenses and permits	139,067	-	-	-	-	139,067
Federal grants	-	-	-	-	-	-
State grants	163,929	-	-	-	-	163,929
Contributions from other units	22,935	-	-	-	-	22,935
Charges for services	149,632	-	-	-	-	149,632
Interest and rents	41,648	29	14,612	8,833	1,375	66,497
Other revenue	95,942	-	1,353	1,125	1,522	99,942
Total revenues	<u>1,215,770</u>	<u>29</u>	<u>15,965</u>	<u>9,958</u>	<u>2,897</u>	<u>1,244,619</u>
Expenditures:						
Current						
General government	165,931	-	-	-	-	165,931
Public safety	185,149	-	-	-	-	185,149
Public works	442,334	-	-	-	-	442,334
Community and economic development	-	-	15,808	-	-	15,808
Recreation and culture	382,180	-	-	-	1,278	383,458
Capital outlay	461,736	-	-	-	-	461,736
Debt service						
Principal	191,017	53,670	-	-	-	244,687
Interest and fees	39,267	7,753	-	-	-	47,020
Total expenditures	<u>1,867,614</u>	<u>61,423</u>	<u>15,808</u>	<u>-</u>	<u>1,278</u>	<u>1,946,123</u>
Excess (deficiency) of revenues over expenditures	<u>(651,844)</u>	<u>(61,394)</u>	<u>157</u>	<u>9,958</u>	<u>1,619</u>	<u>(701,504)</u>
Other financing sources (uses):						
Transfers in	390,606	61,334	-	-	-	451,940
Transfers out	<u>(11,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,022)</u>
Total other financing sources (uses)	<u>379,584</u>	<u>61,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,918</u>
Net change in fund balance	(272,260)	(60)	157	9,958	1,619	(260,586)
Fund balances, beginning of year, restated	<u>884,025</u>	<u>438</u>	<u>(261,863)</u>	<u>213,855</u>	<u>44,044</u>	<u>880,499</u>
Fund balances, end of year	<u>\$ 611,765</u>	<u>\$ 378</u>	<u>\$ (261,706)</u>	<u>\$ 223,813</u>	<u>\$ 45,663</u>	<u>\$ 619,913</u>

CITY OF ST. CLAIR

PROPRIETARY FUNDS – NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF NET ASSETS

September 30, 2006

	<i>Municipal Golf Course Fund</i>	<i>Rubbish and Garbage Fund</i>	<i>Total Nonmajor Enterprise Funds</i>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 48,535	\$ 53,257	\$ 101,792
Accounts receivable	-	40,898	40,898
Total current assets	48,535	94,155	142,690
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	58,867	-	58,867
Capital assets:			
Nondepreciable capital assets	272,712	-	272,712
Depreciable capital assets, net	604,061	-	604,061
Deferred financing costs	26,472	-	26,472
Total noncurrent assets	962,112	-	962,112
Total assets	1,010,647	94,155	1,104,802
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	255	-	255
Accrued expenses	34,318	-	34,318
Accrued interest payable	3,334	-	3,334
Deferred revenue	489	-	489
Current portion of long-term debt	60,249	-	60,249
Total current liabilities	98,645	-	98,645
<i>Noncurrent liabilities:</i>			
Compensated absences payable	9,118	-	9,118
Long-term debt	283,200	-	283,200
Total noncurrent liabilities	292,318	-	292,318
Total liabilities	390,963	-	390,963
Net assets:			
Invested in capital assets, net of related debt	533,324	-	533,324
Restricted for:			
Debt service	58,867	-	58,867
Unrestricted	27,493	94,155	121,648
Total net assets	\$ 619,684	\$ 94,155	\$ 713,839

CITY OF ST. CLAIR

PROPRIETARY FUNDS – NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

September 30, 2006

	<i>Municipal Golf Course Fund</i>	<i>Rubbish and Garbage Fund</i>	<i>Total Nonmajor Enterprise Funds</i>
Operating revenues:			
Charges for services	\$ 255,941	\$ 220,763	\$ 476,704
Penalties	-	4,242	4,242
Other	10,056	-	10,056
Total operating revenues	265,997	225,005	491,002
Operating expenses:			
Personnel	123,750	-	123,750
Fringe benefits	49,813	-	49,813
Supplies	27,679	147	27,826
Contracted services	10,895	209,030	219,925
Administrative expense	9,000	-	9,000
Telephone	2,858	-	2,858
Dues and membership fees	148	-	148
Education and training	618	-	618
Printing and publishing	3,623	-	3,623
Insurance	1,184	-	1,184
Utilities	13,355	-	13,355
Repair and maintenance	13,757	-	13,757
Equipment rental	11,046	-	11,046
Other services and supplies	8,734	-	8,734
Depreciation	62,738	-	62,738
Total operating expenses	339,198	209,177	548,375
Operating income (loss)	(73,201)	15,828	(57,373)
Non-operating revenues (expenses):			
Interest income	3,907	1,548	5,455
Rental income	11,225	-	11,225
Amortization expense	(5,294)	-	(5,294)
Interest expense	(8,202)	-	(8,202)
Total non-operating revenues (expenses)	1,636	1,548	3,184
Net income (loss)	(71,565)	17,376	(54,189)
Net assets, beginning of year	691,249	76,779	768,028
Net assets, end of year	\$ 619,684	\$ 94,155	\$ 713,839

CITY OF ST. CLAIR

PROPRIETARY FUNDS – NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

September 30, 2006

	<i>Municipal Golf Course Fund</i>	<i>Rubbish and Garbage Fund</i>	<i>Total Nonmajor Enterprise Funds</i>
Cash flows from operating activities:			
Cash received from customers	\$ 265,600	\$ 218,913	\$ 484,513
Cash payments to employees	(122,349)	-	(122,349)
Cash payments to suppliers for goods and services	(155,683)	(213,301)	(368,984)
Net cash provided (used) by operating activities	(12,432)	5,612	(6,820)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	-	-
Principal payments	(60,248)	-	(60,248)
Interest paid	(8,202)	-	(8,202)
Net cash provided by capital and related financing activities	(68,450)	-	(68,450)
Cash flows from investing activities:			
Interest received	3,907	1,548	5,455
Rent received	11,225	-	11,225
Net cash provided by investing activities	15,132	1,548	16,680
Net increase (decrease) in cash and cash equivalents	(65,750)	7,160	(58,590)
Cash and cash equivalents, beginning of year	173,152	46,097	219,249
Cash and cash equivalents, end of year	<u>\$ 107,402</u>	<u>\$ 53,257</u>	<u>\$ 160,659</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (73,201)	\$ 15,828	\$ (57,373)
Adjustments:			
Depreciation	62,738	-	62,738
Change in assets and liabilities:			
Accounts receivable	-	(6,092)	(6,092)
Accounts payable	(2,600)	(4,124)	(6,724)
Accrued expenses	128	-	128
Accrued interest payable	(501)	-	(501)
Deferred revenue	(397)	-	(397)
Compensated absences payable	1,401	-	1,401
Net cash provided (used) by operating activities	<u>\$ (12,432)</u>	<u>\$ 5,612</u>	<u>\$ (6,820)</u>

CITY OF ST. CLAIR

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

September 30, 2006

	<i>Equipment Pool Fund</i>	<i>Special Assessment Revolving Fund</i>	<i>Total Internal Service Funds</i>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 618,412	\$ 335,340	\$ 953,752
Accounts receivable	-	183	183
Special assessments receivable	-	12,355	12,355
Total current assets	618,412	347,878	966,290
<i>Noncurrent assets:</i>			
Capital assets:			
Depreciable capital assets, net	429,452	-	429,452
Total noncurrent assets	429,452	-	429,452
Total assets	1,047,864	347,878	1,395,742
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	42	-	42
Accrued expenses	935	-	935
Total current liabilities	977	-	977
<i>Noncurrent liabilities:</i>			
Compensated absences payable	14,176	-	14,176
Total noncurrent liabilities	14,176	-	14,176
Total liabilities	15,153	-	15,153
Net assets:			
Invested in capital assets, net of related debt	429,452	-	429,452
Unrestricted	603,259	347,878	951,137
Total net assets	\$ 1,032,711	\$ 347,878	\$ 1,380,589

CITY OF ST. CLAIR

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended September 30, 2006

	<i>Equipment Pool Fund</i>	<i>Special Assessment Revolving Fund</i>	<i>Total Internal Service Funds</i>
Operating revenues:			
Equipment rental	\$ 249,173	\$ -	\$ 249,173
Total operating revenues	249,173	-	249,173
Operating expenses:			
Personnel	49,124	-	49,124
Fringe benefits	22,371	-	22,371
Supplies	334	-	334
Contracted services	163	326	489
Printing and publishing	318	-	318
Utilities	12,984	-	12,984
Repairs and maintenance	31,615	-	31,615
Depreciation	78,908	-	78,908
Total operating expenses	195,817	326	196,143
Operating income (loss)	53,356	(326)	53,030
Non-operating revenues (expenses):			
Interest income	18,908	12,533	31,441
Gain on sale of capital assets	5,000	-	5,000
Total non-operating revenues (expenses)	23,908	12,533	36,441
Net income (loss)	77,264	12,207	89,471
Net assets, beginning of year	955,447	335,671	1,291,118
Net assets, end of year	\$ 1,032,711	\$ 347,878	\$ 1,380,589

CITY OF ST. CLAIR

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

	<i>Equipment Pool Fund</i>	<i>Special Assessment Revolving Fund</i>	<i>Total Internal Service Funds</i>
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ 8,958	\$ 8,958
Cash received from interfund services	249,173	-	249,173
Cash payments to employees	(49,071)	-	(49,071)
Cash payments to suppliers for goods and services	(70,340)	(326)	(70,666)
Net cash provided (used) by operating activities	129,762	8,632	138,394
Cash flows from capital and related financing activities:			
Gain on sale of capital assets	5,000	-	5,000
Acquisition and construction of capital assets	(111,185)	-	(111,185)
Net cash provided by capital and related financing activities	(106,185)	-	(106,185)
Cash flows from investing activities:			
Interest received	18,908	12,533	31,441
Net cash provided by investing activities	18,908	12,533	31,441
Net increase (decrease) in cash and cash equivalents	42,485	21,165	63,650
Cash and cash equivalents, beginning of year	575,927	314,175	890,102
Cash and cash equivalents, end of year	\$ 618,412	\$ 335,340	\$ 953,752
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 53,356	\$ (326)	\$ 53,030
Adjustments:			
Depreciation	78,908	-	78,908
Change in assets and liabilities:			
Accounts receivable	-	1,118	1,118
Special assessments receivable	-	7,840	7,840
Accounts payable	(2,608)	-	(2,608)
Accrued expenses	53	-	53
Compensated absences payable	53	-	53
Net cash provided (used) by operating activities	\$ 129,762	\$ 8,632	\$ 138,394

CITY OF ST. CLAIR

COMPONENT UNITS

COMBINING BALANCE SHEET

Year Ended September 30, 2006

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Total Component Units</i>
Assets:			
Cash and cash equivalents	\$ 152,324	\$ 46,539	\$ 198,863
Taxes receivable	-	63,701	63,701
Total assets	<u>\$ 152,324</u>	<u>\$ 110,240</u>	<u>\$ 262,564</u>
Liabilities and Fund Balances:			
Liabilities:			
Deferred revenue	\$ -	\$ 63,701	\$ 63,701
Total liabilities	<u>-</u>	<u>63,701</u>	<u>63,701</u>
Fund balances:			
Unreserved	<u>152,324</u>	<u>46,539</u>	<u>198,863</u>
Total fund balances	<u>152,324</u>	<u>46,539</u>	<u>198,863</u>
Total liabilities and fund balances	<u>\$ 152,324</u>	<u>\$ 110,240</u>	<u>\$ 262,564</u>

RECONCILIATION OF FUND BALANCES TO NET ASSETS:

Total fund balances for component units	\$ 198,863
Total net assets reported for component units in the statement of of net assets is different because:	
Interest payable on long-term debt is not payable from current resources and therefore is not reported in the component units fund statements.	(1,997)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the component units fund statements:	<u>(205,681)</u>
Net assets of component units	<u>\$ (8,815)</u>

CITY OF ST. CLAIR

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

September 30, 2006

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>	<i>Total Component Units</i>
Revenues:			
Property taxes	\$ -	\$ 75,997	\$ 75,997
Interest and rents	5,342	2,788	8,130
Other revenue	<u>5,381</u>	<u>25,400</u>	<u>30,781</u>
Total revenues	<u>10,723</u>	<u>104,185</u>	<u>114,908</u>
Expenditures:			
Current			
Community and economic development	-	94,235	94,235
Debt service			
Principal	36,081	-	36,081
Interest and fees	<u>5,212</u>	<u>-</u>	<u>5,212</u>
Total expenditures	<u>41,293</u>	<u>94,235</u>	<u>135,528</u>
Excess (deficiency) of revenues over expenditures	<u>(30,570)</u>	<u>9,950</u>	<u>(20,620)</u>
Other financing sources (uses):			
Transfers from primary government	<u>43,458</u>	<u>-</u>	<u>43,458</u>
Total other financing sources (uses)	<u>43,458</u>	<u>-</u>	<u>43,458</u>
Net change in fund balances	12,888	9,950	22,838
Fund balances, beginning of year	<u>139,436</u>	<u>36,589</u>	<u>176,025</u>
Fund balances, end of year	<u>\$ 152,324</u>	<u>\$ 46,539</u>	<u>\$ 198,863</u>

RECONCILIATION OF CHANGES IN FUND BALANCES TO CHANGES IN NET ASSETS:

Net change in fund balances - total component units \$ 22,838

Total change in net assets reported for component units in the statement
of activities is different because:

Repayments of principal on long-term obligations are expenditures in
component units but the payments reduce long-term liabilities in the
statement of net assets. 36,081

Some expenses reported in the statement of activities do not require the use
of current financial resources and therefore are not reported as expenditures
in component units statements.

Change in accrued interest 301

Change in net assets of component units \$ 59,220

CITY OF ST. CLAIR

FIDUCIARY FUND – AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

September 30, 2006

	<i>October 1, 2005</i>	<i>Additions</i>	<i>Deductions</i>	<i>September 30, 2006</i>
<u><i>Tax Collection Fund</i></u>				
Assets:				
Cash and cash equivalents	\$ 3,310,408	\$ 10,630,710	\$ 10,571,941	\$ 3,369,177
Accounts receivable	<u>454</u>	<u>18,103</u>	<u>17,664</u>	<u>893</u>
Total assets	<u>\$ 3,310,862</u>	<u>\$ 10,648,813</u>	<u>\$ 10,589,605</u>	<u>\$ 3,370,070</u>
Liabilities:				
Accounts payable	\$ (3,468)	\$ 65,463	\$ 28,958	\$ 33,037
Undistributed tax collections	<u>3,314,330</u>	<u>10,583,350</u>	<u>10,560,647</u>	<u>3,337,033</u>
Total liabilities	<u>\$ 3,310,862</u>	<u>\$ 10,648,813</u>	<u>\$ 10,589,605</u>	<u>\$ 3,370,070</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS**

September 30, 2006

1994 GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS

Issue dated May 1, 1994 in the amount of	\$	2,260,000
73.57% Business-type; 26.43% Governmental		
Business-type Activities - 73.57% of \$2,260,000	\$	1,662,682
Less: Principal paid in prior years	(1,394,152)	
Principal paid in current year	<u>(268,530)</u>	
Balance payable at September 30, 2006	<u>\$</u>	<u>-</u>

1989 REFUNDING WATER REVENUE BONDS

Issue dated March 23, 1989 in the amount of	\$	560,000
Less: Principal paid in prior years	(330,000)	
Principal paid in current year	<u>(40,000)</u>	
Balance payable at September 30, 2006	<u>\$</u>	<u>190,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2007	7.50%	\$ 40,000	\$ 7,125	\$ 5,625	\$ 52,750
2008	7.50%	45,000	5,625	3,938	54,563
2009	7.50%	50,000	3,938	2,062	56,000
2010	7.50%	<u>55,000</u>	<u>2,062</u>	<u>-</u>	<u>57,062</u>
		<u>\$ 190,000</u>	<u>\$ 18,750</u>	<u>\$ 11,625</u>	<u>\$ 220,375</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2006

1998 SEWER SYSTEM REVENUE REFUNDING BONDS

Issue dated 1998 in the amount of	\$	995,000
Less:		
Principal paid in prior years		(385,000)
Principal paid in current year		<u>(80,000)</u>
Balance payable at September 30, 2006	\$	<u>530,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Principal due May 1</i>	<i>Total Annual Requirement</i>
2007	4.45%	\$ 12,263	\$ 12,262	\$ 100,000	\$ 124,525
2008	4.50%	10,038	10,037	100,000	120,075
2009	4.60%	7,763	7,762	100,000	115,525
2010	4.65%	5,463	5,462	115,000	125,925
2011	4.75%	<u>2,760</u>	<u>2,760</u>	<u>115,000</u>	<u>120,520</u>
		<u>\$ 38,287</u>	<u>\$ 38,283</u>	<u>\$ 530,000</u>	<u>\$ 606,570</u>

2001 SPECIAL ASSESSMENT LIMITED TAX BONDS

Issue dated August 1, 2001 in the amount of	\$	150,000
Less:		
Principal paid in prior years		(50,000)
Principal paid in current year		<u>(15,000)</u>
Balance payable at September 30, 2006	\$	<u>85,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due October 1</i>	<i>Interest due April 1</i>	<i>Principal due April 1</i>	<i>Total Annual Requirement</i>
2007	4.75%	\$ -	\$ 2,069	\$ 15,000	\$ 17,069
2008	4.75%	1,713	1,712	15,000	18,425
2009	4.75%	1,356	1,356	15,000	17,712
2010	5.00%	1,000	1,000	20,000	22,000
2011	5.00%	<u>500</u>	<u>500</u>	<u>20,000</u>	<u>21,000</u>
		<u>\$ 4,569</u>	<u>\$ 6,637</u>	<u>\$ 85,000</u>	<u>\$ 96,206</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2006

STATE REVOLVING FUND BONDS, SERIES 2002

Issue dated October 1, 2002 in the amount of	\$	4,948,287
Less:		
Principal paid in prior years		(400,000)
Principal paid in current year		<u>(210,000)</u>
Balance payable at September 30, 2006	\$	<u>4,338,287</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 1</i>	<i>Interest due October 1</i>	<i>Interest due April 1</i>	<i>Total Annual Requirement</i>
2007	2.50%	\$ -	\$ -	\$ 55,687	\$ 55,687
2008	2.50%	215,000	55,688	53,000	323,688
2009	2.50%	220,000	53,000	50,250	323,250
2010	2.50%	225,000	50,250	47,437	322,687
2011	2.50%	230,000	47,438	44,562	322,000
2012	2.50%	235,000	44,563	41,625	321,188
2013	2.50%	240,000	41,625	38,625	320,250
2014	2.50%	245,000	38,625	35,562	319,187
2015	2.50%	255,000	35,563	32,375	322,938
2016	2.50%	260,000	32,375	29,125	321,500
2017	2.50%	265,000	29,125	25,812	319,937
2018	2.50%	275,000	25,813	22,375	323,188
2019	2.50%	280,000	22,375	18,875	321,250
2020	2.50%	285,000	18,875	15,312	319,187
2021	2.50%	295,000	15,313	11,625	321,938
2022	2.50%	300,000	11,625	7,875	319,500
2023	2.50%	310,000	7,875	4,000	321,875
2023	2.50%	<u>203,287</u>	<u>4,000</u>	<u>-</u>	<u>207,287</u>
		<u>\$ 4,338,287</u>	<u>\$ 534,128</u>	<u>\$ 534,122</u>	<u>\$ 5,406,537</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2006

GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2002A

Issue dated October 1, 2002 in the amount of	\$	410,000
Less: Principal paid in prior years		(15,000)
Principal paid in current year		<u>(15,000)</u>
Balance payable at September 30, 2006	\$	<u>380,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 1</i>	<i>Interest due October 1</i>	<i>Interest due April 1</i>	<i>Total Annual Requirement</i>
2007	3.00%	\$ -	\$ -	\$ 7,610	\$ 7,610
2008	3.25%	15,000	7,610	7,366	29,976
2009	3.25%	15,000	7,366	7,123	29,489
2010	3.50%	15,000	7,123	6,860	28,983
2011	3.50%	20,000	6,860	6,510	33,370
2012	3.55%	20,000	6,510	6,155	32,665
2013	3.60%	25,000	6,155	5,705	36,860
2014	3.65%	25,000	5,705	5,249	35,954
2015	3.80%	25,000	5,249	4,774	35,023
2016	3.90%	25,000	4,774	4,286	34,060
2017	4.00%	25,000	4,286	3,786	33,072
2018	4.15%	25,000	3,786	3,268	32,054
2019	4.30%	25,000	3,268	2,730	30,998
2020	4.40%	30,000	2,730	2,070	34,800
2021	4.50%	30,000	2,070	1,395	33,465
2022	4.60%	30,000	1,395	705	32,100
2023	4.70%	<u>30,000</u>	<u>705</u>	<u>-</u>	<u>30,705</u>
		<u>\$ 380,000</u>	<u>\$ 75,592</u>	<u>\$ 75,592</u>	<u>\$ 531,184</u>

CITY OF ST. CLAIR

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2006

2004 GENERAL OBLIGATION REFUNDING BONDS (UNLIMITED TAX)

Issue dated February 10, 2004 in the amount of	\$	830,000
Less: Principal paid in prior years		(55,000)
Principal paid in current year		<u>(80,000)</u>
Balance payable at September 30, 2006	\$	<u>695,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2007	2.000%	\$ 80,000	\$ 9,236	\$ 8,436	\$ 97,672
2008	2.000%	75,000	8,436	7,686	91,122
2009	2.125%	75,000	7,686	6,889	89,575
2010	2.500%	100,000	6,889	5,639	112,528
2011	2.750%	95,000	5,639	4,332	104,971
2012	3.000%	95,000	4,332	2,907	102,239
2013	3.250%	90,000	2,907	1,445	94,352
2014	3.400%	<u>85,000</u>	<u>1,445</u>	<u>-</u>	<u>86,445</u>
		<u>\$ 695,000</u>	<u>\$ 46,570</u>	<u>\$ 37,334</u>	<u>\$ 778,904</u>

2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Issue dated February 10, 2004 in the amount of \$ 1,160,000
35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Business-type Activities - 40.16% of \$1,160,000	\$	465,954
Less: Principal paid in prior years		(62,257)
Principal paid in current year		<u>(60,249)</u>
Balance payable at September 30, 2006	\$	<u>343,448</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2007	2.000%	\$ 60,240	\$ 4,000	\$ 3,397	\$ 67,637
2008	2.000%	62,248	3,397	2,775	68,420
2009	2.125%	70,280	2,775	2,028	75,083
2010	2.500%	72,288	2,028	1,124	75,440
2011	2.750%	40,160	1,124	572	41,856
2012	3.000%	<u>38,232</u>	<u>572</u>	<u>-</u>	<u>38,804</u>
		<u>\$ 343,448</u>	<u>\$ 13,896</u>	<u>\$ 9,896</u>	<u>\$ 367,240</u>

CITY OF ST. CLAIR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2006

1992 MICHIGAN TRANSPORTATION FUND (LTGO)

Issue dated August 1, 1992 in the amount of	\$	355,000
Less:		
Principal paid in prior years		(290,000)
Principal paid in current year		<u>(30,000)</u>
Balance payable at September 30, 2006	\$	<u>35,000</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Interest due</i> <i>November 1</i>	<i>Interest due</i> <i>May 1</i>	<i>Principal due</i> <i>May 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2007	6.00%	\$ <u>1,050</u>	\$ <u>1,050</u>	\$ <u>35,000</u>	\$ <u>37,100</u>

Note: This obligation is paid by the Major Street Fund and the Local Street Fund.

1994 GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS

Issue Dated May 1, 1994 in the amount of	\$	2,260,000
73.57% Business-type; 26.43% Governmental		
Governmental Activities - 26.43% of \$2,260,000	\$	597,318
Less:		
Principal paid in prior years		(500,849)
Principal paid in current year		<u>(96,469)</u>
Balance payable at September 30, 2006	\$	<u>-</u>

Note: This obligation is paid by the 1994 Road Construction Bond Fund.

CITY OF ST. CLAIR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2006

1997 GENERAL OBLIGATION LIMITED TAX BONDS

Issue dated September 1, 1997 in the amount of	\$	100,000
Less:		
Principal paid in prior years		(70,000)
Principal paid in current year		<u>(10,000)</u>
Balance payable at September 30, 2006	\$	<u>20,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2007	5.00%	\$ 10,000	\$ 498	\$ 250	\$ 10,748
2008	5.10%	<u>10,000</u>	<u>250</u>	<u>-</u>	<u>10,250</u>
		<u>\$ 20,000</u>	<u>\$ 748</u>	<u>\$ 250</u>	<u>\$ 20,998</u>

Note: This obligation is paid by the 1997 Road Construction Bond Fund.

1999 BUILDING AUTHORITY BONDS

Issue dated June 1, 1999 in the amount of	\$	995,000
Less:		
Principal paid in prior years		(290,000)
Principal paid in current year		<u>(55,000)</u>
Balance payable at September 30, 2005	\$	<u>650,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2007	4.65%	\$ 60,000	\$ 15,022	\$ 13,626	\$ 88,648
2008	4.65%	60,000	13,627	12,231	85,858
2009	4.55%	65,000	12,232	10,753	87,985
2010	4.625%	70,000	10,754	9,134	89,888
2011	4.625%	70,000	9,135	7,515	86,650
2012	4.625%	75,000	7,516	5,781	88,297
2013	4.625%	80,000	5,782	3,931	89,713
2014	4.625%	85,000	3,931	1,966	90,897
2015	4.625%	<u>85,000</u>	<u>1,966</u>	<u>-</u>	<u>86,966</u>
		<u>\$ 650,000</u>	<u>\$ 79,965</u>	<u>\$ 64,937</u>	<u>\$ 794,902</u>

Note: This obligation is paid by the 1999 Building Authority Bond Fund.

CITY OF ST. CLAIR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2006

2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Issue dated February 10, 2004 in the amount of \$ 1,160,000
35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Governmental Activities - 35.78% of \$1,160,000	\$ 415,000
Less: Principal paid in prior years	(55,459)
Principal paid in current year	<u>(53,670)</u>
Balance payable at September 30, 2006	<u>\$ 305,871</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2007	2.00%	\$ 53,670	\$ 3,563	\$ 3,027	\$ 60,260
2008	2.00%	55,459	3,027	2,472	60,958
2009	2.125%	62,615	2,472	1,807	66,894
2010	2.50%	64,404	1,807	1,002	67,213
2011	2.75%	35,780	1,002	510	37,292
2012	3.00%	<u>33,943</u>	<u>510</u>	<u>-</u>	<u>34,453</u>
		<u>\$ 305,871</u>	<u>\$ 12,381</u>	<u>\$ 8,818</u>	<u>\$ 327,070</u>

Note: This obligation is paid by the 2004 Building Authority Refunding Bonds Fund.

1997 SPECIAL ASSESSMENT BONDS

Issue dated September 1, 1997 in the amount of \$ 220,000

Less: Principal paid in prior years	(155,000)
Principal paid in current year	<u>(25,000)</u>

Balance payable at September 30, 2006	<u>\$ 40,000</u>
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Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2007	4.95%	\$ 20,000	\$ 995	\$ 500	\$ 21,495
2008	5.00%	<u>20,000</u>	<u>500</u>	<u>-</u>	<u>20,500</u>
		<u>\$ 40,000</u>	<u>\$ 1,495</u>	<u>\$ 500</u>	<u>\$ 41,995</u>

Note: This obligation is paid by the 1997 Road Construction Bond Fund.

CITY OF ST. CLAIR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

September 30, 2006

GENERAL OBLIGATION UNLIMITED TAX BONDS, SERIES 2005

Issue dated June 6, 2005 in the amount of \$ 3,455,000

Less: Principal paid in prior years -
Principal paid in current year -

Balance payable at September 30, 2006 \$ 3,455,000

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2007	0.00%	\$ -	\$ 158,232	\$ 58,245	\$ 216,477
2008	3.00%	225,000	58,245	54,870	338,115
2009	3.00%	250,000	54,870	51,120	355,990
2010	3.00%	275,000	51,120	46,995	373,115
2011	3.25%	300,000	46,995	42,120	389,115
2012	3.50%	325,000	42,120	36,433	403,553
2013	3.50%	355,000	36,433	30,220	421,653
2014	3.50%	385,000	30,220	23,482	438,702
2015	3.40%	415,000	23,482	16,427	454,909
2016	3.50%	445,000	16,428	8,640	470,068
2017	3.60%	480,000	8,640	-	488,640
		<u>\$ 3,455,000</u>	<u>\$ 526,785</u>	<u>\$ 368,552</u>	<u>\$ 4,350,337</u>

Note: This obligation is paid by the Major Street Fund.

CITY OF ST. CLAIR

COMPONENT UNITS

SCHEDULE OF INDEBTEDNESS

September 30, 2006

2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Issue dated February 10, 2004 in the amount of \$ 1,160,000
35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Component Units - 24.06% of \$1,160,000	\$ 279,046
Less: Principal paid in prior years	(37,284)
Principal paid in current year	<u>(36,081)</u>
Balance payable at September 30, 2006	<u>\$ 205,681</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due November 1</i>	<i>Interest due November 1</i>	<i>Interest due May 1</i>	<i>Total Annual Requirement</i>
2007	2.000%	\$ 36,081	\$ 2,396	\$ 2,034	\$ 40,511
2008	2.000%	37,293	2,035	1,662	40,990
2009	2.125%	42,095	1,662	1,215	44,972
2010	2.500%	43,298	1,215	673	45,186
2011	2.750%	24,054	674	342	25,070
2012	3.000%	<u>22,860</u>	<u>343</u>	<u>-</u>	<u>23,203</u>
		<u>\$ 205,681</u>	<u>\$ 8,325</u>	<u>\$ 5,926</u>	<u>\$ 219,932</u>

Note: This obligation is paid by the Local Development Finance Authority.



March 16, 2007

Members of the City Council
City of St. Clair, Michigan

We have audited the financial statements of the City of St. Clair for the year ended September 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the City of St. Clair in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of St. Clair are described in Note 1 to the financial statements. We noted no transactions entered into by the City of St. Clair during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the City's financial statements and this communication of these matters does not affect our report on the financial statements, dated March 16, 2007.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants